ADDITIONAL WEEKS OF UNEMPLOYMENT BENEFITS

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 7327

TO INCREASE THE NUMBER OF WEEKS FOR WHICH FEDERAL SUPPLEMENTAL UNEMPLOYMENT COMPENSATION IS PAYABLE

DECEMBER 8, 1982

Serial 97-89

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ADDITIONAL WEEKS OF UNEMPLOYMENT BENEFITS

WEDNESDAY, DECEMBER 8, 1982

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND
UNEMPLOYMENT COMPENSATION,
Washington, D.C.

The subcommittee met at 2:15 p.m., pursuant to notice, in room B-318, Rayburn House Office Building, Hon. Harold E. Ford (chairman of the subcommittee) presiding.

[Press releases announcing the hearing and the text of H.R. 7327 follow:]

[Press release No. 12, Thursday, Dec. 2, 1982]

HON. HAROLD E. FORD (D., TENN.), CHAIRMAN OF THE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, ANNOUNCES A 1-DAY HEARING ON THURSDAY, DECEMBER 9, 1982, ON LEGISLATION THAT WOULD PROVIDE ADDITIONAL WEEKS OF UNEMPLOYMENT COMPENSATION FOR JOBLESS WORKERS

Hon. Harold E. Ford (D., Tenn.), Chairman of the Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, House of Representatives, today announced that the subcommittee will conduct a 1-day hearing on H.R. 7327. This bill, introduced by Chairman Ford, would provide additional weeks of unemployment benefits payable under the temporary Federal Supplemental Compensation (FSC) program to jobless workers who have exhausted all other unemployment compensation benefits.

The hearing will be held on Thursday, December 9, 1982, in room B-318 of the Rayburn House Office Building, beginning at 10 a.m. Testimony presented at the hearing will be limited to the administration, Members of Congress and invited witnesses. Other interested persons and organizations may submit written statements that will be included in the record of the hearings.

EXPLANATION OF H.R. 7327

As part of the Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248), Congress enacted the Federal Supplemental Compensation (FSC) program. Under this program, which became effective on September 12, 1982, and expires March 31, 1983, additional weeks of federally financed unemployment compensation benefits are provided to jobless workers who have exhausted all other State and Federal unemployment benefits. The number of weeks of FSC benefits that jobless workers may receive depends on (a) the number of weeks of State unemployment benefits received by each claimant, and (b) the State in which the claimant lives. Qualified claimants are entitled to receive FSC benefits for one-half of the number of weeks they received State unemployment benefits, up to a maximum of 10, 8, or 6 weeks. The maximum is 10 weeks of FSC benefits in States in which Federal/State extended benefits are being paid or have been paid at any time since June 1, 1982. A maximum of 8 weeks is payable in States in which the insured unemployment rate equals or exceeds 3.5 percent; and up to 6 weeks of FSC can be paid in all other

States. As of November 13, the FSC maximum was 10 weeks in 38 States, 8 weeks in 3 States and 6 weeks in 12 States.

H.R. 7327 would make the following changes in the FSC program:

(1) For jobless workers who first received FSC benefits on or before December 1, 1982 (including those who have already exhausted their FSC benefits), the maximum number of FSC benefits payable in all States would be increased by 5 weeks. In other words, the 10-week States would be increased to 15, 8-week States would be increased to 13, and 6-week States would be increased to 11.

(2) For jobless workers who first receive FSC benefits after December 1, 1982, the maximum number of FSC benefits would be 13 weeks in all States.

The bill does not extend the FSC program beyond the current expiration date of March 31, 1983. The Congressional Budget Office estimates that the additional weeks of benefits provided under H.R. 7327 will increase the cost of the FSC program by $650 million.

PROCEDURE TO BE FOLLOWED FOR SUBMITTING WRITTEN COMMENTS

Any interested person or organization may file a written statement for inclusion in the printed record of the hearing. Persons submitting written comments should submit at least five copies by the close of business Thursday, December 23, 1982, to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. Those wishing to have their written statements distributed to the press and the interested public, may submit 50 additional copies for this purpose if provided to the Committee office before the hearing begins.

[Change in time and date]

HON. HAROLD E. FORD (D., TENN.), CHAIRMAN, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, ANNOUNCES A CHANGE OF TIME AND DATE FOR A HEARING ON LEGISLATION THAT WOULD PROVIDE ADDITIONAL WEEKS OF UNEMPLOYMENT COMPENSATION FOR JOBLESS WORKERS

Hon. Harold E. Ford (D., Tenn.), Chairman of the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, House of Representatives, today announced a change in the date of a previously announced hearing. The date of the hearing on legislation that would provide additional weeks of unemployment compensation for jobless workers has been changed to Wednesday, December 8, 1982. The hearing will begin at 2 p.m. in room 1100 Longworth House Office Building. The meeting had originally been scheduled for Thursday, December 9. For additional information, please refer to press release number 11 issued earlier by the subcommittee.

The hearing is being held to receive testimony on H.R. 7327 introduced by the subcommittee chairman, Mr. Ford. This bill would provide additional weeks of unemployment benefits payable under the temporary Federal Supplemental Compensation (FSC) program to jobless workers who have exhausted all other unemployment compensation benefits. Testimony presented at the hearing will be limited to the administration, Members of Congress and invited witnesses. Other interested persons and organizations may submit written statements that will be included in the record of the hearings. Persons having written comments should submit at least five copies by the close of business Thursday, December 23, 1982, to John J. Salmon, Chief Counsel, Committee on Ways and Means, House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515.

I

97TH CONGRESS
2D SESSION

H. R. 7327

To increase the number of weeks for which Federal supplemental unemployment compensation is payable.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 30, 1982

Mr. FORD of Tennessee introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To increase the number of weeks for which Federal supplemental unemployment compensation is payable.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. INCREASE IN NUMBER OF WEEKS FOR WHICH BENEFITS PAYABLE.

(a) GENERAL RULE.—Paragraph (2) of section 602(e) of the Federal Supplemental Compensation Act of 1982 is amended—

(1) by striking out "50 per centum" in subparagraph (A)(i) and inserting in lieu thereof "60 per centum",

(2) by striking out "6" in subparagraphs (A)(ii), (B), and (C)(i) and inserting in lieu thereof "11",

(3) by striking out "10" in subparagraph (B) and inserting in lieu thereof "15", and

(4) by striking out "8" in subparagraph (C)(i) and inserting in lieu thereof "13".

(b) INDIVIDUALS FIRST RECEIVING BENEFITS AFTER DECEMBER 1, 1982.—Paragraph (2) of section 602(e) of such Act is amended by adding at the end thereof the following new subparagraph:

"(D) In the case of any individual who first receives Federal supplemental compensation for a week beginning after December 1, 1982—

"(i) subparagraph (A)(ii) shall be applied by substituting "13" for "6", and

"(ii) subparagraphs (B) and (C) shall not apply.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to weeks beginning after the date of the enactment of this Act.

SEC. 2. MODIFICATION OF AGREEMENT.

The Secretary of Labor shall, at the earliest practicable date after the date of the enactment of this Act, propose to each State with which he has in effect an agreement under section 602 of the Federal Supplemental Compensation Act of 1982 a modification of such agreement designed to provide

for the payment of Federal supplemental compensation under such Act in accordance with the amendments made by this Act. Notwithstanding any other provision of law, if any State fails or refuses, within the three-week period beginning on the date the Secretary of Labor proposes such a modification to such State, to enter into such a modification of such agreement, the Secretary of Labor shall terminate such agreement effective with the end of the last week which ends on or before such three-week period.

15-016 O - 83 - 2

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation will come to order. This afternoon the subcommittee will receive testimony on H.R. 7326, legislation that would provide additional weeks of Federal supplemental unemployment compensation benefits (FSC) to jobless workers who have exhausted all State or Federal/State benefits.

When FSC was enacted this past summer, it was hoped strong signs of economic recovery would emerge during the life of the program. FSC would, therefore, be a bridge for jobless workers until new employment became available.

Since the FSC program began some 12 weeks ago, hundreds of thousands of FSC claims have been filed each week, and thousands of jobless workers are exhausting FSC benefits; 108,000 persons exhausted FSC benefits in mid-November. An additional 170,000 exhausted FSC benefits at the end of November, and the exhaustion rate will increase over the next few weeks.

It is painfully apparent that a speedy recovery is not in sight. The economy remains in critical condition with only weak signs of improvement. Production, business sales, and employment are plunging. Only unemployment—a record 10.8 percent in November—is increasing. Twelve million Americans are out of work, casualties of the "Reagan recession." With many analysts estimating unemployment to climb still higher, the jobless have little prospect of finding new jobs in the months ahead.

The additional weeks of FSC provided by H.R. 7327 are not, and are not intended to be, the ultimate solution to the unemployment problem which we face. The unemployed want, need, and are entitled to jobs. I introduced H.R. 7327 to help jobless workers who have exhausted their benefits endure the suffering caused by Reaganomics.

Instead of fostering employment and a growing economy, the administration has moved in the opposite direction. The President's policies have induced recession, and American workers are the innocent victims.

As the recession lingers on—over 15 months, considerably longer than all but one other postwar recession—hundreds of thousands of workers who early on lost their jobs have exhausted their eligibility for unemployment benefits. I believe it would be unconscionable for the Nation to turn its backs on these men and women and their families.

We are here today as the Subcommittee on Public Assistance and Unemployment Compensation. I believe enactment of H.R. 7327, which would provide five additional week's of FSC, that it would be a step in the right direction. The subcommittee is delighted to have many of our colleagues in the Congress appear before us today. The subcommittee also invited the administration to testify today, however the administration has declined. Earlier this afternoon, I received a letter from the Secretary of Labor, Raymond Donovan. In one paragraph of the letter Secretary Donovan requests that the subcommittee defer any action on H.R. 7327 until a DOL study of the FSC program is completed in January. Secretary Donovan states:

> We share your deep concern over the economic hardship caused by high unemployment which was the primary reason you introduced the bill and are holding

hearings today. However, we urge your committee to defer any decision on the bill until the 98th Congress convenes in January. My Department has found that the Federal Supplemental Compensation program, enacted last August was implemented in some haste. As a result, it provides *no* information on whether the program benefits are reaching those individuals most in need of assistance. It also provides *no* recent information on how many individuals have exhausted their FSC program benefits.

January just might be a bit too late with hundreds of thousands of recipients and claimants exhausting their benefits in the month of November, and hundreds of thousands more will be exhausting their benefits in the month of December. Given this situation, I believe that the subcommittee should take action now to provide additional weeks of unemployment benefits.

The Chair would like to recognize our first witness this afternoon, the Honorable Clarence D. Long from the State of Maryland. We thank you for appearing before the committee today. We know that your statement will be fruitful and offer us a clear direction in which to travel.

The Chair will recognize you at this time unless Mr. Matsui has opening comments.

Mr. MATSUI. I thank the chairman and the members of the subcommittee staff for scheduling this hearing and the markup. I believe the provision of 3 and 5 weeks of additional benefits will be absolutely essential if unemployed Americans are to survive during the coming winter months. In California it is estimated that an additional 100,000 people could be benefited if this legislation passes. I want to commend you again for bringing this before us.

Chairman FORD. Mr. Long.

STATEMENT OF HON. CLARENCE D. LONG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND, ACCOMPANIED BY JAMES HARMON, EXECUTIVE SECRETARY, AND SPENCE SHIFLETT, PRESIDENT, LOCAL 33, INDUSTRIAL UNION OF MARINE AND SHIPBUILDING WORKERS OF AMERICA

Mr. LONG. Thank you, Mr. Chairman, for allowing me to testify in support of H.R. 7327, to provide 5 additional weeks of Federal supplemental unemployment compensation to jobless workers who have exhausted their unemployment benefits.

Appearing with me is Jim Harmon, executive secretary and Spence Shiflett, president of local 33, Industrial Union of Marine and Shipbuilding Workers of America, to answer any questions and in general support of my testimony.

Unemployment in Dundalk and Essex in my district is 20 percent—nearly twice the national average. As the recession and long-term layoffs continue, more and more workers are running out of unemployment benefits.

Almost 6 in 10, 58 percent, of the laid-off steel and autoworkers now drawing unemployment benefits in the greater Baltimore area—nearly 4,000 workers—will exhaust all their unemployment insurance benefits 1 week before Christmas.

About 40 percent of the work force—1,000 shipyard workers—at the Sparrows Point Shipyard—will exhaust all benefits by the first week in January.

Each month—6,000 Maryland workers run out of unemployment benefits, and the number is growing.

Unemployment checks averaged only $117 a week, but they provided at least a minimal standard of living for the unemployed.

What are jobless workers and their families to do without these benefits? How are they to meet their monthly payments on homes, cars, and appliances, to say nothing of utility, food, and clothing bills?

Recovery is not imminent. Prospects for finding new jobs or returning to work at the steel mill, shipyard, or General Motors plant do not appear to be improving.

I ask Mr. Harmon and Mr. Shiflett whether this is not, in general, true.

Mr. SHIFLETT. Yes; it is.

Mr. LONG. They are very close to the problem, even closer than I am.

The gas tax bill which passed the House on Monday will not provide a substantial number of jobs for these workers, now or in the future.

Other aid programs such as food stamps and welfare have been cut back.

One of my constituents, Paul Davis, a welder at Bethlehem Steel, was laid off on December 2, 1981—more than 1 year ago. He has been unable to secure even a minimum-wage job, because employers assume that he will return to Bethlehem Steel as soon as the recession is over, and of course that is true. He would be foolish not to. It is a good job. No matter what he tells potential employers they are going to assume that he is going to quit and go back to that plant as soon as he is called back. That makes it almost impossible for him to get an interim job or move to something else.

Mr. Davis' $140-a-week unemployment check ran out on November 20, 1982. Since then he has had no money coming in to support his wife and four children.

Mr. Davis is behind on his gas and electric payments. His personal loan was sent to a collection agency. His family is eating one meal a day. He could not even buy his daughter a birthday present, and does not expect to celebrate Christmas this year—if he had anything to celebrate.

Mr. Davis recently applied for food stamps and welfare, but is worried that he will not get them because of the Reagan administration's cuts in these programs.

There are thousands of other workers in my district that are experiencing hardships similar to Mr. Davis.

My constituents—and yours—need help now. Job-creating and retraining programs—which I strongly support—will help the unemployed in the long run, but unfortunately not soon enough.

The 5 additional weeks of unemployment benefits provided by H.R. 7327 are urgently needed to ease the terrible hardship on these workers and their families. Five weeks is not much, but in our particular case it will fill a very important gap because it will tide us over to when certain work begins in those plants, and so it will be of substantial benefit.

I would like to get it extended later on, but first things first. So I hope the committee will move quickly to approve additional bene-

fits and bring this bill to the House floor during the current lame-duck session.

Thank you Mr. Chairman, and let me congratulate you on your leadership in solving this very important economic problem.

Chairman FORD. It is the intent of the chairman to do basically what you have stated in your remarks. Those who have exhausted unemployment benefits face a crisis right into the holidays here in December. They have no means at all of paying mortgages, rent, or utility bills and to put food on the table and, in this holiday season they have no means of providing a decent Christmas for their children. It is the chairman's intention to immediately mark up this legislation and hopefully report it to the full Ways and Means Committee.

Mr. Matsui.

Mr. MATSUI. I have no questions.

Thank you, Mr. Long.

Chairman FORD. If either one of you would like to make a statement for the hearing record——

Mr. LONG. I think it would be helpful because both of them are important people in my area. We are very fortunate to have you, Mr. Ford, as chairman at this important time dealing with this very, very significant question. We are very grateful.

Chairman FORD. We know now that 5 weeks will not solve all the problems, but it will give us time for the new Congress to come in and look at the matter. I think that the administration has indicated that they would like us to defer any decision on the bill until the 98th Congress convenes. The subcommittee is going to reexamine the FSC program early in the new Congress. As you know, the program expires on March 31, 1983. We feel that we have to act now to help those unemployed who have exhausted FSC benefits and have no other recourse. That is the purpose of H.R. 7327.

Mr. HARMON. As you point out, Mr. Chairman, January 1983 is just too long to wait. Our people have to eat now without unemployment; welfare almost is out of the question.

If one of our members is buying a car of $1,500 value he cannot get welfare. Hundreds of people a day are calling me and do not know what to do, working people. They have never had this problem before. None of our people can say that they are making $10 or $12 an hour and apply for a minimum-wage job and get hired. No one will hire them.

Mr. LONG. I have been representing the district for 20 years. We have never had a problem even remotely comparable to the one we have now, one of destitution. Ordinarily we are a prosperous, high-wage, high-skilled industrial area.

Mr. Shiflett.

Mr. SHIFLETT. Mr. Ford, I am Spence Shiflett, president of local 33. I am very grateful for you allowing us to be here today, also with the Congressman. I feel the same, that it is very essential for this 5 weeks to be provided. We have members that have never been faced with the problems that we are now. We get calls 24 hours a day just trying to get some of our people a job somewhere. The people are going to take their homes. Their children, they are hungry. I do not know what else to say, but the unemployment benefits are so important for the simple reason that we are in a

depression. It is no different than the one in the thirties. The only difference is unemployment benefits. Back then we did not have it. We know how essential it is right now, it is dire need, and this 5 weeks would be a great welcome to our people for the holidays.

Chairman FORD. Thank you very much.

Mr. Long, I would like to thank you for testifying.

The Chair will recognize the Honorable Les AuCoin from the State of Oregon as the next witness before the committee. I would like to welcome you before the committee, not only as one of my colleagues, but as one of those who joined me in Congress a few years back when I was first elected.

STATEMENT OF HON. LES AuCOIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. AUCOIN. I would like to extend my gratitude for the opportunity to testify in behalf of this legislation. I extend my greetings too to my colleague from California, who joins you at the hearing. I am pleased to appear before the committee, because I want to urge the adoption of H.R. 7327, which would extend special unemployment benefits to jobless Americans who have exhausted all other State and Federal jobless benefits.

Mr. Chairman, when you introduced this measure last week, the national unemployment rate for October stood at 10.4 percent, with 11 million Americans out of work. I noted that you warned at that time that the figures for November would be even higher. Two days later the Labor Department confirmed your forecast, reporting that 1 million more Americans had lost their jobs, boosting the Nation's unemployment rate to 10.8 percent, another postwar high. You said, and I quote, that "areas of this country are experiencing what can only be described as a depression and no one can predict when the economy will begin to recover."

Your words, Mr. Chairman, accurately describe economic conditions in my State of Oregon. The unemployment rate in Oregon for October, the latest figure available, is 11.5 percent seasonally adjusted; 140,000 Oregonians are out of work. The 11.5-percent figure equals the 1982 high setback in March. Since seasonal unemployment typically peaks in the winter months in Oregon, Mr. Chairman, the October figures are particularly disturbing because they portend even higher rates in the months of November, December, January, and February of this year.

More ominous is that despite an upturn in housing demand this fall, and housing is the engine that powers the timber-based economy in my State, all signs of real economic strength were missing in the October figures:

Lumber and wood products employment is at the lowest October level since data was first recorded 35 years ago;

Jobs in manufacturing fell by 5,600 in October;

Among manufacturers of durable goods, significant employment declines were reported, especially in the metals and machinery industries, where 1,200 fewer jobs were counted;

Construction work showed a sharp and stronger than expected drop over the month—the loss of 2,600 jobs—with losses reported in all major segments of the construction industry. Assuming normal

seasonal conditions, just 700 workers would normally have been laid off in October.

Mr. Chairman, the most frequently asked question in Oregon is, "When is economic recovery going to start?" We are losing patience. From the figures I have just cited, the candid answer I must say is, "Not soon." With winter approaching, any chance for economic improvement in the near future is bleak in a State whose economic health is still largely dependent on the production of lumber and wood products, construction, agriculture, and tourism. The earliest that the people in my State who are desperate for jobs can realistically hope for any upturn is next spring, if then. That is why for Oregon the passage of legislation before your committee today is so very urgent.

The trends I have just reported, Mr. Chairman, which point to higher joblessness in the months ahead, are reason enough.

But, Mr. Chairman, I want to say that in Oregon, there is an even more critical need for enactment of this bill because yesterday Oregon was officially declared ineligible for the government's 13-week extended unemployment program because of changes in criteria pushed by the administration, based on its assumption that unemployment would now be only 7.5 percent.

The immediate result is that 12,500 Oregonians will lose their extended unemployment benefits on December 18, only a few days before Christmas. The good news is that because of the foresight of this committee, these 12,500 jobless men and women will be able to be transferred to the special, supplemental program, and become eligible for up to 10 weeks of benefits, but since Oregon will be triggered off the regular extended benefits program on December 18, and will be ineligible to requalify for 13 weeks, the special supplemental benefits obviously are not going to stretch for these 12,500 Oregonians.

That means a loss of at least 3 weeks of benefits of any kind for these men and women unless this bill is adopted. By extending special benefits from 10 weeks to 15, the gap will be bridged. It is the only hope these jobless Oregonians have and the reason that I have testified before your committee today, Mr. Chairman.

With the Oregon State Legislature having battled with deficits over the last 2 years and now holding its breath to see whether it can make it to March without further budget cuts or tax increases or both, there is no other lifeline for these people in sight, except the one that your bill will provide.

That is why I compliment you for what your initiative would do and am pleased to be able to give my strongest support for it today.

Chairman FORD. Thank you very much for your testimony before the committee. I said it earlier to Mr. Long, we are in fact concerned about just the things that you brought out in your testimony.

That is why we strongly feel that we ought to move in a direction to extend those benefits for those who will and have already exhausted FSC benefits.

The Chair will recognize at this time Mr. Pease.

Mr. PEASE. Thank you very much, Mr. Chairman.

I want to thank our distinguished colleague. Things sound pretty bad in Oregon. They are pretty bad in Ohio, too. Our rate of unem-

ployment is over 14 percent. The unemployment rate in my home county is 24 percent and likely to go higher this month.

Just one question, not entirely serious. As I understand the supply side theory, the problem is not lack of demand for products like forest products, but that the supply is not great enough. Do you suppose it would work if we kept getting your people to produce and produce, that that would generate the activity in the economy to produce the purchasers for those supplies?

Mr. AUCOIN. My people would love to produce. They want to work. They are unable to work because of the disastrous economic consequences of high deficits, as a consequence of runaway military spending and a tax cut that went too far.

We would love to produce. We are producing people, but we are denied that opportunity. I think what we are talking about here is extending a lifeline to them until they have a chance to produce again.

Mr. PEASE. People have a particular notion that they need to be paid for what they produce in order to put it in the pipeline. Thank you.

Chairman FORD. Mr. Matsui?

Mr. MATSUI. I thank the gentleman from Oregon for raising a fundamental issue which we will have to address in January; the fact that the trigger mechanism doesn't work in a rational way. People are triggered off the system at the very same time we are going into the winter months and it is absolutely incredible.

Mr. AUCOIN. It is a problem because we have seen in Oregon that the number of discouraged workers is affecting the unemployment levels and have an impact on the trigger, and some people are leaving the State.

There is an outmigration and all the rest, but the real pain and the real downturn in the economic activity clearly should qualify the State and the workers there for these benefits.

Mr. MATSUI. Our unemployment rate in California increased in November and yet we triggered off, so I share your concerns.

Mr. Chairman, I understand that no one from the administration will be appearing today to address the concerns of Mr. AuCoin, Mr. Long, and Mr. Eckart.

Is this letter from the administration the alleged substitute for their actual personal appearance? Apparently they are not willing to appear before us notwithstanding that the unemployment rate has hit the highest level in the last 40 years. Is that the Chairman's understanding?

Chairman FORD. I think the administration shied away today, because they did not want to face the fact that the number of people who will exhaust unemployment compensation benefits in the next few weeks and those who have already exhausted is a very serious problem.

Earlier, I indicated that I had just received a letter from the Secretary of Labor urging the committee to delay any decision on the bill until the 98th Congress convenes in January. I just don't think that we can afford to wait.

We know that there are millions of unemployed people who want and need jobs. This administration has failed to respond to that, and for us to not respond to those who have exhausted unemploy-

ment benefits, I think we would be saying to the administration that we, too, want to overlook the jobless. I think this committee is willing to take action.

Mr. MATSUI. For the benefit of the audience, I think it should be stated that the Secretary of Labor indicated he did not want us to act on the Chairman's legislation because he is studying where people are unemployed and whether they deserve unemployment benefits.

He also is studying whether or not we should tax unemployment benefits. Apparently that has been in vogue with the administration.

Mr. AUCOIN. If the administration is reluctant to testify before the committee because of the sensitivity and volatility of the issue, I am sure that they would be willing to go to some of the regions in my district where unemployment rates have pockets of 30 and 35 percent.

I would like to hear what they have to say to explain the position they convey to you in that letter. I don't think my people would understand.

Chairman FORD. Their unwillingness to testify and appear before the committee by no means will stop this committee from immediate action.

Mr. PEASE. Is it my understanding that the administration refuses to attend the hearing today?

Chairman FORD. There is a copy of the letter.

Mr. PEASE. I have the letter.

Chairman FORD. They declined the invitation that we extended to them to testify before the committee today on the additional benefits relating to H.R. 7327 introduced by the committee.

Mr. MATSUI. They are probably spending their time lobbying for the Caribbean Basin Initiative and the MX missile.

Mr. PEASE. I think this is an affront to the subcommittee. It is all right for the administration to take a different position from that taken by the majority of the members of the subcommittee, but for the administration to refuse to come and discuss the issue with the subcommittee, I think, is quite outrageous, and I would hope that the chairman would consider some measures to confront the administration with their decision not to even come and explain to the committee what their position is.

Chairman FORD. We plan to discuss that with the members of the committee. I am sure it would be difficult for them to explain their position. That is probably why they didn't show up before the committee and before the public. It would be even more difficult to explain that to those unemployed who have exhausted their benefits.

I think the common courtesy of the administration showing up to give the committee the reasons for their decision to say no at this time would have been the proper thing to do.

Mr. Anthony is recognized.

Mr. ANTHONY. Thank you, Mr. Chairman. I would like to get on the record that the depths of the problem in Oregon, as I understand it, probably stems more from housing and timber than anything else.

Mr. AuCoin. That is quite right, Mr. Anthony. Oregon has essentially a timber-based economy. Agriculture, trade, and tourism are important, too, but as housing goes, so goes the Oregon economy. We are going to hell in a hand basket very fast under the housing policies of this administration.

Mr. Anthony. I support what the subcommittee chairman is attempting to do here. As a matter of fact, I was instrumental in this subcommittee and the full committee in working out a compromise with all the parties so that we could enact the Federal supplemental compensation program that we are seeking to extend.

Mr. AuCoin. I am aware of that. I want to thank and compliment the gentleman.

Mr. Anthony. Even if we provide additonal weeks of benefits to jobless workers in your State, knowing that the housing industry is the area that is going to pull you out economically, we also know that the next 5 months probably is not going to see any type of upturn in the housing market if the administration does not change its policy as it relates to both interest rates and as it relates to housing. Unfortunately, this administration has made a very conscious choice to try to remove capital away from housing, both in low- and middle-income housing subsidies, but also in the overall marketplace with all of the various tools that we have to finance and to move forth in the open market.

Is there anything that you think could be done since Oregon is so dependent upon housing and wood products, to try to convince the administration of the error of its ways before that same policy gets locked into its budget proposals for fiscal year 1984?

Mr. AuCoin. Well, I want to say that I feel that we have tried to do a lot to change a misbegotten policy. This gentleman introduced the Emergency Housing Production Act, and got it, with the gentleman from Arkansas's help and the help of many members of this committee through the Congress last year only to have it vetoed and the veto narrowly sustained.

That bill would have offered at least some degree of damage control to deal with the effects of a policy of hostility toward housing on the part of the administration.

I have said before and I say it for the record here today that David Stockman has made very clear what this administration believes the role of housing ought to be in this economy.

He said in January of his first year in office that he felt, "Housing had sponged up too much productive capital out of the economy that should have gone to more productive things."

I find that an amazing statement for the architect of a $200 billion deficit to make with the Government sponging up that much productive capital out of the economy that could have gone to more productive things.

A remarkable statement from the budget genius of this administration. So there is a bias against housing and if this administration doesn't get off that policy and realize that housing is the most labor-intensive industry in this country—it has been what has led this Nation out of every recession since World War II—it will be dealing with the debris of its mistakes for years to come and many of the people we are trying to help today will suffer the consequences.

Mr. ANTHONY. In the face of the fact that the administration refuses to come forward and testify on the legislation being considered today, I believe that we should also use this hearing as a vehicle to send the administration a message that if they don't want to give unemployment compensation for people not working, then certainly they ought to review their policies that are creating the unemployment that makes us come here to try to give them benefits to begin with. If they will get their head out of the sand and begin listening to people like you, who feel that housing can lead the Nation out of recession, hopefully when we start looking at the legislation in 1983, we will get that philosophy changed. Maybe we can take that sponge and squeeze it and maybe some of that water will come back in the nature of appropriations into some of these areas.

I just want to encourage you to keep up the work in that particular area, because I think that is a legislative fight that we can win in 1983 and that we will be doing the entire Nation a service.

The people in Arkansas are like the people in your State. They would rather work than to have to go out and take a little check that somebody is giving them.

Mr. AUCOIN. That is absolutely for sure, and I know full well that I can continue to have the help of the gentleman from Arkansas whose help was extensive the last time we tried to pass a housing bill to put people to work.

Mr. ANTHONY. I appreciate your yielding to me Mr. Chairman. I yield back the balance of my time.

Chairman FORD. I would like to say for the record we sent letters inviting Mr. Donovan, also the Honorable Martin Feldstein, Chairman of the Council of Economic Advisers. Both declined an invitation to appear before the committee today.

The Chair will now recognize the Honorable William J. Coyne of Pennsylvania as the next witness before the subcommittee. We are delighted to have you to testify today, Mr. Coyne, before the committee. Thank you for coming.

STATEMENT OF HON. WILLIAM J. COYNE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. COYNE. Thank you, Mr. Chairman, and members of the committee. I come here today in strong support of H.R. 7327, a measure to provide additional weeks of unemployment benefits under the Federal Supplemental Compensation program to those workers who have exhausted their unemployment compensation benefits.

Chairman Ford, I commend you for your important initiative in this area. While others in this city see unemployment compensation as a source of tax revenue, you correctly view it as a much needed assistance to those who now bear the brunt of the current recession.

At the Office of Management and Budget, those who have been forced off their jobs are perceived as a convenient source of revenue. The unemployed are seen as a politically weak segment of the population whose interests need not be considered, and whose unemployment benefits should therefore be taxed.

In western Pennsylvania, the Pittsburgh region, this segment of the population which some would totally disregard now comprise a large portion of our population. In the four-county Pittsburgh area, unemployment is at a 14.1-percent level. The overwhelming majority of people now on unemployment assistance are not there because they want to be there. They need no impetus such as an increased tax to leave the unemployment role.

An available job at decent pay is all the incentive they need to begin working. The economic policies of this administration, policies which are tied to a reliance on high interest rates, make this incentive a remote possibility. High interest rates and inaction at the national and international level have contributed to one of the most shocking statistics of a great industrial power—steelmaking plants operating at roughly a third of capacity. Many of the workers who operate these plants are operating at zero capacity. Their ability to contribute to our economy is hampered by the mistaken economic policies of the current administration. These workers should not be punished for economic decisions they did not make. But while unemployment is now higher than at any time since 1941, the jobless are receiving less in benefits than at any time in the past decade.

Consider the case of Pennsylvania. In September 1976, unemployment in my State stood at 7 percent, even. With an insured unemployment rate of 5.2 percent, the 358,000 unemployed Pennsylvanians were then entitled to 65 weeks of unemployment compensation.

These benefits were available, I hasten to add, under a Republican administration. Six years later with an unemployment rate of 10.9 percent and an insured unemployment rate of 6.5 percent, 601,000 people in Pennsylvania were unemployed, nearly twice the number unemployed in 1976.

Despite the severity of long-term unemployment in an industrial State, the maximum number of weeks of unemployment compensation, as you know, is 49.

Pennsylvania is among the more fortunate States, however. It still qualifies for extended benefits under the crazy quilt triggering mechanism enacted by Congress as part of the Reconciliation Tax Bill of 1981. Thanks to the calculations of the number crunchers at the Office of Management and Budget, less than half of the States now qualify for the 13 weeks extended benefits.

It is my understanding that the State of Louisiana, for example, is not entitled to these extended benefits. It has doubled the number of jobless that it had a year ago.

H.R. 7327 does not address all of these problems. That is a task that should be high on the agenda of the new congress when it convenes in January. This measure deals with a pressing, very human problem, carrying those nearing the end of their benefits through the holidays, and in some cases through the depth of the winter.

I strongly support Chairman Ford's bill. I would extend the temporary Federal Supplemental Compensation program enacted by Congress this year by 5 weeks for jobless workers who first receive FSC benefits on or before December 1, 1982.

In the State of Pennsylvania, this would mean a period of compensation of 54 weeks, a period more reflective of actual economic

conditions that exist. For those who first receive FSC benefits after December 1, total benefits could last up to 52 weeks.

This bill would not extend the FSC program beyond its expiration date of March 31, 1983. It would increase the cost of the program by $650 million.

This Congress has a responsibility to insure the victims of this recession are not forced to bear the total cost. The personal loss of a jobless worker—the destruction of self-esteem, the fear of the future, the possibility of economic catastrophy as a result of a home mortgage forclosure—already equals a crisis as serious as most we will face in our lives.

We should not add to that plight by failing to extend unemployment benefits as the winter months approach. I urge prompt action on H.R. 7327. I look forward to a comprehensive review of our unemployment system. I am confident that review will result in removal from the law of those provisions which seem at odds with the actual economic conditions in severely depressed States throughout the country.

I thank you, Mr. Chairman, and members of the committee, for the opportunity and the invitation to testify.

Chairman FORD. Thank you, Mr. Coyne.

Mr. Pease?

Mr. PEASE. I have no questions, Mr. Chairman.

I would just like to commend our colleague from Pennsylvania for a very fine statement.

Mr. COYNE. Thank you very much.

Chairman FORD. Mr. Matsui.

Mr. MATSUI. I have no questions, either.

I would like to also thank the gentleman from Pennsylvania.

Chairman FORD. Mr. Anthony?

Mr. ANTHONY. No questions.

Chairman FORD. Mr. Coyne, we too on the committee recognize the point that you brought out about the unemployment now being higher than at any time since 1941, and the jobless are receiving less benefits than at any time in this past decade. We have also prepared a chart, which illustrates this not only in the State of Pennsylvania, but all other States as well.

I think that is true in a number of States, that the unemployed in this country are suffering from the lack of the attention in the unemployment compensation area.

Thank you for bringing it to our attention once again. We have also made note of that with other States as well and we, too, agree with you. Thank you very much for your testimony.

Mr. COYNE. Thank you, Mr. Chairman.

Chairman FORD. The Honorable Joseph M. Gaydos of Pennsylvania is our next witness. I welcome you to the committee, Mr. Gaydos.

STATEMENT OF HON. JOSEPH M. GAYDOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. GAYDOS. Thank you, Mr. Chairman. At the outset, I would like to make the record clear that it is probably significant that I am appearing immediately after my colleague, the Congressman

from an adjacent district in the city of Pittsburgh and western Pennsylvania. I think it highlights the fact that this is a gnawing problem, particularly in Pennsylvania, and we know the circumstances existing in Michigan, Ohio, Illinois and other parts of the country.

I want to commend the committee for their foresight in holding these hearings. I could just introduce my testimony, but I think there are some points that I want to make, and to emphasize to the committee—I don't know if that is necessary—that Pennsylvania is in really dire circumstances.

With your permission, Mr. Chairman, I will take the 5 minutes it will take me to give this very short but hopefully informative statement.

Chairman FORD. You may proceed.

Mr. GAYDOS. Mr. Chairman, members of the committee, it is a mark of your dedication to public service that you could find the time to hold hearings on H.R. 7327 during this hectic session in the closing days of the 97th Congress.

And I am grateful for the opportunity to testify because I think an extension of unemployment benefits is one of the most important things that could be done in this brief time we have. You see, time also is running out on the people I represent among the 14.1 percent of the Pittsburgh area workers who are unemployed.

The percentages have been dreadful in Beaver and Westmoreland Counties, and they are not much better in Allegheny. Beaver County unemployment is 22.5 percent and Westmoreland is 15 percent. Those are very significant figures, if they are accurate, Mr. Chairman, because all of us know that there are some inherent inaccuracies in all of the figures that I am giving, that others have given us, and certainly those released by the administration.

Unemployment in my hometown of McKeesport was 22.8 percent in October, and it probably will be higher when the November figures are ready. That is again on the assumption that the figures are accurate.

Among steelworkers in the Pittsburgh area the unemployment rate is about 56 percent. In the United Steelworkers of America's District 15, which represents Mon Valley locals, in my area again, the rate is around 60 percent, and these are accurate figures, 60 percent.

Employment numbers in primary metals in the area in 1979—not a bad year—was 99,100. Last October it was 50,700.

The Pittsburgh area's share of national steel production has fallen from 17.6 percent in 1979. I want to emphasize that figure; 17.6 percent of all the steel made in this country was made in Pittsburgh; that is down to 9 percent, and we know what has happened to the production.

The experts tell me that they take hope from this fact—that only 2,200 jobs were lost in October. I, myself, don't take much hope from these statistics. I don't think this committee does either.

Mr. Chairman, this is not a decline, it is a fall off a cliff. Like everyone in public life, I go by my instincts and gut feelings as well as by cold facts and figures and whatever conclusions they lead to.

And my instincts—the feeling in my gut—is that this recession or depression with its 10.8 percent national unemployment rate

and 12 million unemployed—you know the accuracies of those figures—is truly a drop over a cliff, but it is not yet the bottom of the pit.

In areas like Pittsburgh—the parts of the country I think of as ground zero in the trade war—these earned unemployment benefits and social security payments are now mainstays of what economy we have left.

They are helping make mortgage payments. They are buying the necessities of life. And they have been for the better part of a year now, and there is no relief from the recession or the trade war in sight. Winter is coming on, the cost of natural gas for heating is on the rise, and benefits are expiring one by one.

So the bottom of the pit would be the beginning of the mass expiration of unemployment benefits as I see it. Then things really will begin falling apart. That too is showing, particularly in the area of homes.

Workers still are able to hold on to their homes. Banks still display some understanding for those who have, as of now, been unable to make their mortgage payments because they are unemployed and can't find work. But that is not going to be lasting too long. They come to my workshops and offices asking, What can I do to meet those payments?

Now they are coming in only in ones and twos.

But that understanding, that willingness of the banks to go along for awhile, will be broken when benefits begin to expire in mass numbers, which is just around the corner.

We are seeing some of that in the Pittsburgh area. Sheriff's sales at mortgage foreclosure in 1979—a fairly good year—were numbered at 540. Through November of 1982 there were 1,100 such sales. The increase is one of over 100 percent. It has been 100 homes shattered each month. I think it is a downward trend that will accelerate absent some attention like the present proposed extension.

I have read estimates recently that imports—many of them subsidized or dumped, like steel—have cost the U.S. economy more than 2 million jobs in recent years.

Two million jobs. That is about 17 percent of our current unemployment rate. And the trade war is one of the things Congress will have to deal with, but I admit and I understand here and now.

Here and now we are concerned with the casualties. By all means this $650 million extension is one of the best investments we can make to stave off the probable collapse that would follow expiration. But it will also buy time—time for dealing with the longer term unemployment compensation problem and the trade war, all in the next Congress.

I passionately urge this committee to act favorably on the extension and to commit now to take a look at reform because the fact you are having to consider this extension on the heels of the 10-week previous extension indicates the system is not up to coping with the trade war.

One area you might look into is indexing—that is, provision that when the unemployment rate is at x percent those who are out of work are entitled to y weeks of benefits; when the percent rises the weeks would rise.

Mr. Chairman, I have made a very hurried statement, and I want to compliment you. It would be only proper that this matter hopefully find its way at the earliest possible moment to the floor of the House.

My last suggestion, Mr. Chairman, is that this committee bring back into the tattered safety net—what is left of it—some of those who might have fallen through in the last extension.

I am told that a quirk of reconciliation may make it impossible for some of the long-term unemployed to qualify for extended benefits.

I am sure that the committee will agree that any worker—if he has been eligible for State benefits—ought to be eligible for extended benefits in phase three, if I may call this phase three. If they qualified for the original 26 weeks, they should be eligible for all that follows, including the last extension.

Thank you for the time, Mr. Chairman, members of the committee. I do believe the extension of benefits proposed by H.R. 7327—and a determination to get a system that can deal with the trade war—is one of the most important things the 97th Congress can do in its last days.

Chairman FORD. Thank you very much for your testimony.

I must say that we all note the fact that you have been a war horse and a leader in this particular area in this Congress and in past Congresses, and we would like to commend you for your leadership and say to you that we are in fact going to try to expedite this legislation hopefully before the Christmas recess.

Mr. GAYDOS. The chairman is very kind. On the other subject, and I want the record to show that this is a self-serving declaration on my part, Mr. Pease, but I hope that maybe the recent action on the floor of the House would be some indication that now finally Congress is addressing the international problem. We are as free trade oriented as anybody else, but I think now we have gotten the attention of our colleagues and hopefully the problem will be resolved one way or another.

Chairman FORD. We too recognize that this is not a solution to the overall problem. We do feel that 5 additional weeks give us some time in which to come back with the new Congress convened to look at the overall situation and try to respond to that in a positive way.

Mr. GAYDOS. I would, for the record, Mr. Chairman, want to put one last thought in. When I was home recently after the election, I noticed signs of hard times. I gave particular attention to the dress, and the actions generally of the people back home, and the city of Pittsburgh, Allegheny County, the whole western area. I noticed, I am very sorry to say this but I think it is important for the record, I saw the seediness and worn look beginning to show in the dress of the people; old tattered clothes that I hadn't seen before making their appearance; ripped out sleeves, knees, and worn down shoes.

You can see it. Those that don't see it aren't looking and aren't watching for these signs of hardship and making do that I speak of. To me it was shocking and saddening, and I think you probably experienced the same thing because you wouldn't be down here unless you did, and I know you are very observant. I think you will

find in your areas, most of you have seen it, too, and it is absolutely disturbing to me.

I really want to commend this committee for its foresight.

Chairman FORD. Thank you.

Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman.

I have no questions. I would like to commend our colleague for his usual, incisive and vigorous testimony.

Mr. GAYDOS. From you I consider it a compliment. Thank you.

Chairman FORD. Mr. Matsui?

Mr. MATSUI. I have no questions. Thank you, Mr. Gaydos.

Chairman FORD. Mr. Anthony?

Mr. ANTHONY. I would like to explore something a little bit aside since you brought it up for the record, and that is the possibility of more trade restrictions being imposed by this Congress, and whether or not you think that in the long range that truly is a very healthy thing for us to do.

Mr. GAYDOS. I share the gentleman's concern. I know his is a thoughtful question, and I share the gentleman's concern. I, too, have very sincere feelings that there may be a trade war that may result from actions that we may take, if we aren't careful.

We have always framed our suggestions in the positions that we support, with the condition precedent that we not overreact, that we only do what our trading partners are doing, just to even up with them; and I share, I really share my colleague's fear that if we have surpassed that, and we become vicious and put in really unrealistic barriers at this time, it may be the beginning of an almost endless international war; but in the meantime we have always taken the position that we have a right, an inherent duty, to do in this Congress, in this country, what our trading partners are doing.

That is the only thing we have advocated, if they have unreasonable tariffs, rather so-called hidden tariffs or barriers of a different nature that are devised purposely to effect a closed market, then I think it is a duty upon us to take some kind of counteraction.

That is the only thing I advocate, and I share the concern of my colleague.

Mr. ANTHONY. I guess what bothers me, and it was the same reason that I brought up with Mr. AuCoin from Oregon, because what we are addressing here is only part of the problem, and we have truly got to get the economy going if we are going to provide the jobs that all of the country needs. What disturbs me is that we are very likely to get another piece of trade legislation on the floor before the week is out or maybe next week that may create some new regional problems in the United States, as you are trying to solve regional problems.

Let me just put on the record what concerns me. As we try to solve the problem for autos and steel in your part of the country, we know that our international trading partners purchase agricultural products which come from my part of the country. So, if we get into a trade war, then yes, you may create employment in your area or you may protect some jobs in your area, but what it is going to do is create higher unemployment in my area of the country. Our trading partners will impose restrictions that will mean

purchases of less rice, less soybeans, less cotton, and the economy of my State is dependent upon these products along with timber. So I must confess that it gives me a great deal of concern as we are trying to solve some of these economic problems that we may also be creating some implied regional bias as we do.

Mr. GAYDOS. If I may respond to my colleague, again you indicate an astute knowledge and understanding of the problem, and I wish to compliment you.

Let me suggest this to you. That one of our great historians and leaders, Benjamin Franklin, I believe said you are either going to hang separate or you are going to hang together.

We don't want to let agriculture be out there on a limb. Right now we are having international problems to a great degree involving agricultural products, and we are going to have to solve it together with the steel problem. It has to be a realistic international trade agreement, and GATT, the General Agreement on Tariffs and Trade, has to work in fairness for all products.

I feel very sorry for the farmers and for the agricultural industry if they have to go it alone and are sliced away or separated from steel and its problems along with the auto industry. We have to work together.

Again, my strong position in the steel caucus, of on which I have had the pleasure to be chairman for the last 4 or 5 years, the steel caucus position always has been that we must proceed; yes, proceed decisively but with caution, and we have to treat our trading partners with firmness but fairness.

We just can't be Uncle Sucker forever. We have to take a stand somewhere. That is the only thing I have advocated. I think my colleague makes a good point. There is a danger area, no question about it.

Mr. ANTHONY. Mr. Chairman, I appreciate your being tolerant with me in letting me explore an area a little bit outside the specific parameters of the bill before us. But I think it is very critical, and our colleague has said that maybe the vote taken yesterday could be a signal to the administration, and personally I hope it was taken as a signal, and also some symbolism built into it not only in the defense area but in some of the other areas also, and hope that they will come to the Hill and work a little bit closer with us on some of that legislation.

That was the main reason I wanted to go ahead and make this record very clear that we have got housing problems in the West, and we have got steel and auto problems from your area, and that we are going to have to solve them altogether or we will create some regional bias.

You have got my support in trying to work with you in trying to resolve some of those difficulties.

Mr. GAYDOS. Thank you. I want my colleague to know that I want to work with him. Feel free to call on me. I want to work with you and help each other. Thank you very much.

Chairman. FORD. The Chair recognizes the Honorable Dennis Eckart from Ohio who has waited very patiently to testify.

Thank you very much for waiting. I want to apologize for your having to wait so long.

The Chair recognizes Mr. Eckart.

STATEMENT OF HON. DENNIS E. ECKART, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. ECKART. Thank you very much, Mr. Chairman. I am delighted to be of assistance in your effort to wrestle with the critical unemployment situation that has been devastating so many families and so many communities throughout our country. I, too, share the disappointment expressed by Mr. Anthony, Matsui, Pease and you, about the reluctance of the administration to step forward this afternoon with a legislative program to address this serious problem. Apparently, the President continues to hope that time will cure all of our economic ills.

As the chairman properly pointed out, time is one thing the unemployed have too much of right now. The administration continues to fiddle while the auto, steel, and housing industries burn away. The unemployed don't need any more time. They don't want any more sympathy. They must have their jobs back.

The provisions of the legislation that you hopefully will be able to put forward before we adjourn will, I think, at least guarantee to the unemployed an opportunity to maintain some semblance of dignity, some sort of capability to meet their financial obligations, and some sense of security that yes, Government does care about their problems.

As Mr. Matsui pointed out, I couldn't help but also be chagrined that just this past week, like an early Christmas, the President was passing out $1.2 billion worth of presents and goodies to Brazil, which I would point out to this committee is one of the countries which has been rightfully accused of dumping its steel on the United States. In effect, the American taxpayers are now going to subsidize the importing of that steel into this country. And at the same time, the administration refuses to come forward to support legislation which would cost less than one-half the amount of the giveaway to Brazil, a country that continues to play havoc with our trade balance at this most critical juncture.

My colleague from Ohio, Don Pease has already portrayed to you the desperate economic straits that Ohio is in—14.2 percent of our State's work force isn't working; over 700,000 Ohioans. Less than half of them are receiving unemployment benefits. If we focus our attention for just a moment on the millions of Americans who are not even receiving these benefits, what we do and talk about doing this afternoon really pales in comparison.

The extension of these 5 weeks of benefits at this critical time, particularly to the people of northeastern Ohio, is absolutely most important. We are facing in northern Ohio, Mr. Chairman, the most difficult part of the winter coming up. Thousands of Ohioans have had to get a reprieve through our office action from the threat of having their utilities disconnected. The unemployed simply ask for an opportunity to keep their homes warm, to keep some food on the table, and an opportunity to have some dignity at a time when many of us in this country celebrate the birth of the person who perhaps for many of us defines the ultimate in dignity and justice.

Prosperity is not just around the corner in Ohio, Mr. Chairman. The people who are going to receive these checks are going to put

critical time. It is unfortunate the administration floats proposals to tax unemployment benefits while failing to hear the voices of the unemployed. This bill gives some immediate relief to those who are jobless and to those who have no safety net.

Thank you very much.

Chairman FORD. Thank you.

The Chair recognizes Mr. Pease.

Mr. PEASE. Mr. Chairman, again I have no questions. The gentleman is from my part of Ohio. We share common problems in terms of the unemployed people of our areas, and I am delighted that he has taken the time from his schedule to be with us today and underscore his concern.

Chairman FORD. Mr. Matsui?

Mr. MATSUI. Thank you, Mr. Chairman.

I would just like to commend the gentleman from Ohio, Mr. Eckart, for his very articulate statement and comments. I share his concerns with respect to Brazil. As we all know, the President decided to give Brazil $1.3 billion after finally realizing that there is a difference between Latin American countries, and yet the administration refuses to spend $650 million for unemployment benefits for Americans. I just wish that the President would share our concerns, and go out in the country and find out that there are differences among the very rich and the medium income people and the very poor in this country as well. I thank you again for joining with us today.

Five Members of Congress have come to this committee to testify before us today, which shows the high level of commitment that the Congress has for the plight of the unemployed, while the administration has submitted a letter. I suppose that shows their commitment to the unemployed as well.

Chairman FORD. Mr. Anthony.

Mr. ANTHONY. Thank you, Mr. Chairman.

I would just hope that we could solve some of the problems. The people from your State are wearing out the roads in my State of Texas trying to find jobs.

Mr. ECKART. There has been some talk of that, Mr. Anthony, and I would hope that we could get to the time of prosperity when the only time that they are doing that is to go on vacation with their hard-earned wages.

Mr. Chairman, if I may, I would like to ask permission to have my formal statement appear as part of the record.

Chairman FORD. Thank you, Mr. Eckart. It will be made a part of the record.

Mr. Eckart, I want to acknowledge your continuing concern and work with regard to unemployment insurance. The subcommittee appreciates your input. You have also been very instrumental in helping the subcommittee development of H.R. 7327 which would provide additional weeks of FSC. We would like to thank you very much.

The Chair will recognize the Honorable Patrick Johnston from California as the next witness to testify. If you will come down to the witness table, we would appreciate it.

The Chair at this time will turn to the very able member of the subcommittee, Mr. Matsui, who is also from the State of California for the introduction of the witness. Mr. Matsui?

Mr. MATSUI. Thank you, Mr. Chairman.

I would like to introduce to the members of this committee, Mr. Patrick Johnston.

Mr. Johnston is here today representing the State of California. He is a very able member of our California legislature, with his district the southern part of Sacramento County. He is here today to address a particular Federal problem that California has encountered in the implementation of a jobs training bill that was recently enacted in California.

The specific problem could result in California having to pay unfairly between $7 and $8 million in administration costs. While this may seem to be an insignificant sum, it could scuttle this new California job training program. It could serve as a prototype that the Nation may want to adopt in the future. The nature of the dispute between the Office of Management and Budget and the California Department of Labor will now be discussed by Mr. Johnston.

Chairman FORD. You are recognized, Mr. Johnston.

STATEMENT OF PATRICK JOHNSTON, ASSEMBLYMAN, CALIFORNIA STATE ASSEMBLY

Mr. JOHNSTON. Thank you, Mr. Chairman and members.

Mr. Matsui, in his introduction, summarized the issue quite well, and I appreciate you and the members taking the time in your consideration of the plight of the unemployed to consider this issue of importance to California, and I believe relevant to what you are about to consider in your bill, Mr. Chairman.

During the last session, the California legislature passed legislation which established a job training program specially and exclusively aimed at unemployment insurance claimants to be financed from the U.I. fund. The bill enjoyed bipartisan support, and it enjoyed support of all business and labor organizations in the State of California.

In brief, $55 million each year will be appropriated to train U.I. claimants in declining sectors to learn skills in those industries that are expanding in California. For instance, as the unemployment rate exceeds 11 percent in California and auto assembly plants close, we find that there is a lack of trained, experienced workers in electronics, in health care, and in energy conservation.

This fund would require performance contracts that insure that every person that completes its training will, in fact, be hired by private business.

Comes the problem: In the implementation of this legislation, the Department of Labor, at the urging of the Office of Management and Budget, has determined that California's administrative share of collecting this $55 million tax, which as you may recall is part of the existing unemployment insurance tax that is now collected, should be $10 million. The fact is that our own employment development department estimates that the real actual cost of collecting the tax is $1.3 million. This is not disputed by the Department of Labor—or by OMB. Rather, they have decided to recalculate the entire cost of collecting that tax, and to shift the cost to the State of California so that the difference between the $1.3 and the $10

million, some $8.7 million, is then a windfall that accrues to the benefit of the Federal Government.

This means that a $55 million job training program would have diverted from it nearly 20 percent simply to pay administrative costs. If the program were not instituted, the Federal Government would not have that revenue. In fact, it will cost them nothing, because the State of California is fully prepared to pay whatever it costs to fund the program.

I appreciate your indulgence and patience. I realize the issue is relevant, but not completely germane to the matter. Frankly, I request your help and the help of the committee with the Department of Labor and with the Office of Management and Budget.

[The prepared statement follows:]

STATEMENT OF PATRICK JOHNSTON, CALIFORNIA STATE ASSEMBLYMAN

Mr. Chairman and Members, I appreciate the opportunity to address you on an issue of importance to California and relevant to your consideration of the plight of the millions of unemployed citizens of our Nation.

During the last session the California legislature passed legislation which establishes a job training program specifically and exclusively aimed at unemployment insurance claimants to be financed from the UI fund.

The bill enjoyed bi-partisan support as well as the support of all major business and labor organizations in California.

In brief, $55 million will be annually appropriated to train UI claimants from declining industries in skills for expanding industries. As auto assembly plants close in California and unemployment exceeds 11 percent statewide, it is important to train displaced workers in jobs of the future such as electronics, health care, and energy conservation.

The employment training fund requires performance contracts that insure every person who completes the training will be hired by private business.

There has arisen a problem in the collection of the tax.

The employment training fund is financed by diverting a small portion of California's State Unemployment Insurance (UI) tax. Employment training fund revenue is limited to $55 million annually, and excess revenue collected by this tax is returned along with regular UI taxes to California's account in the Federal Unemployment Trust Fund for the payment of UI benefits.

Even though this tax will actually cost only $1.3 million to administer, current regulations of the Federal Office of Management and Budget (OMB) could require California taxpayers to pay nearly $10 million for administration, simply because it will be collected along with the California UI tax. Essentially, OMB regulations require States to fully share the costs of the federally financed UI payroll tax system with any other State tax that piggybacks on the State UI tax. However, OMB regulations also allow a State to incur only the actual additional cost of such tax collection if it is in the interest of the Federal Government to encourage certain State programs.

The effect of the OMB regulation would be twofold:

(1) Nearly 20 percent of the dollars would be diverted from job training to tax collection administration; and

(2) The Federal Government would reap a windfall of $8.7 million above the actual cost of collecting the tax.

The California Employment Training Fund represents a very important State effort to finance private sector training initiatives. I believe it deserves the strong support of the U.S. Department of Labor.

I appreciate this subcommittee's interest and assistance in resolving this issue satisfactorily through administrative action or legislation.

Chairman FORD. Mr. Matsui?

Mr. MATSUI. Thank you, Mr. Chairman.

The Chairman has indicated that he and his staff will give us some assistance on this matter. We need a timely resolution of it due to the fact we would like this program to be implemented early next year.

I had asked Mr. Johnston to appear with the idea that the administration would have a responsible person who could address our problem directly, and then we could get together after the hearing was over, to reach a final agreement. Unfortunately the administration has chosen not to attend. While we cannot do this, I do appreciate the chairman's help and Mr. Johnston's, testimony. Hopefully we will resolve this problem together.

Chairman FORD. Mr. Matsui, as I indicated to you earlier the subcommittee itself will look into this matter.

Mr. MATSUI. Thank you, Mr. Chairman.

Chairman FORD. Mr. Pease?

Mr. PEASE. No questions.

Chairman FORD. Mr. Anthony?

Mr. ANTHONY. No questions.

Chairman FORD. Thank you very much for your testimony before the committee.

Our colleague, Jim Oberstar, is here and at this time the Chair will recognize our colleague from the State of Minnesota.

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. OBERSTAR. Thank you very much, Mr. Chairman, and colleagues on the committee.

Last April, I testified before hearings of this subcommittee which you chaired, Mr. Chairman. I described the situation in northeastern Minnesota, my congressional district, as being serious and growing worse. It can't get much worse than it is now. There isn't any margin to go any further down hill. Of 14,000 production workers in iron ore processing, over 12,000 are out of work. For the most part northeastern Minnesota is surviving economically on unemployment compensation and social security benefits.

In Duluth, the unemployment rate is over 11 percent actually. Lake County, however, just north of Duluth, along the north shore of Lake Superior, is almost 36 percent. A year ago this time, before the full impact of Gramm-Latta, the so-called Tax Recovery Act and the other great schemes with which this administration had decided to stimulate the economy, the unemployment rate was 5.5 percent. Folks there aren't cheering Gramm-Latta. They aren't cheering the Reagan economic program for recovery.

Northeastern Minnesota, five counties in my area, which is territorially about the size of New England, the unemployment rate is 19 percent. More and more people are every week coming to the the end of their regular benefits and their supplemental benefits.

In Minnesota statewide there have been 35,000 claims for FSC filed; 27,736 initial claims have been paid. The State of Minnesota estimates that 11,000 people in the last 2 weeks have exhausted those supplemental benefits which we enacted just this past summer.

The last week of November, just a week ago, 1,518 new claims were filed. People are continuing to need the supplemental benefits program.

It is tragic. It is desperate. This is just flat out depression. They are desperately looking to Washington to provide some help for

them. They didn't create this recession. They can't pick up and go look for work as the President has suggested. Some have tried. They have gone down to the oil fields of Texas. There were a few $4-an-hour jobs. There were a few $12-an-hour jobs in Wyoming in the coal fields, but it costs them more to live in an apartment in Wyoming and maintain a home in Minnesota than they were earning. Many have left.

The notion that we have this great fluid society in which people can pick up from one stricken area of the country and move somewhere else and find this bonanza of jobs is just a figment, a phantasmagora in the mind of the President. The jobs aren't there. Besides, who is going to buy that house in northern Minnesota to make it possible for the iron ore miner to pick up and move somewhere else, where if the job existed, he might find employment? Who is going to pay the costs of moving? Does northern Minnesota become a ghost town? This is nonsense.

People are looking to an extension of benefits. These are trained, skilled qualified miners, maintenance people, production workers. They and their fathers and their fathers before them have mined the ore, 2½ billion tons of ore that if you eliminated the industry of this Nation in World War I, in World War II, Korea, and Vietnam, depleting the reserves of natural ore, moving on to a new technology, processing low-grade 5-percent iron product. They don't want to live on welfare. They don't want to live on supplemental security income. They want a job.

Ten weeks of benefits that helped our people through the depths of unemployment are exhausted, have run out, and now they are looking to us again in Washington to provide some further extension of assistance.

The State of Minnesota has a $650 million budget deficit. The State doesn't have the funds with which to turn things around. We have had 4 years of Republican governorship in Minnesota. People passed judgment on it in November. Overwhelmingly, they elected Democrats, hopefully to turn things around.

There are those who will say the Federal Government can't be Santa Claus to everyone. We are not asking for that. We are just asking for what people are due and what is required of a compassionate, decent, and honorable government. We could give them a job or help them with unemployment benefits.

Since we passed that legislation to extend benefits in August, unemployment has jumped by another 1 million people. The administration had its solution on Thanksgiving. Let's tax the unemployed, tax their benefits. Not all the turkeys died on Thanksgiving. This was it. Thank God someone put the axe to it.

Mr. Chairman, I just want to say in conclusion, I am not overstating the situation. It is bad. It is getting worse. It is like the Russian economy, not as good as last year, but better than next year, and people are looking to you, to this subcommittee and to this Congress in these last days to give them just some temporary help. We hope that you pass this legislation.

[The statement of James L. Oberstar follows:]

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman, members of the subcommittee, it is essential that Congress enact legislation extending the Federal supplemental compensation program before Christmas.

I represent an area of the country with the second highest unemployment rate in the United States. The people of my District have been brutally affected by the nationwide recession. My District is the principal supplier of domestic iron ore. Depression-level production rates in the American steel industry have devastated my District.

While unemployment nationwide is now a tragic 10.8 percent, the rate in the taconite industry has been as high as 90 percent this year.

My interest, however, in this legislation extends beyond the boundaries of the Eighth District. People throughout this country are hurting desperately. Since we passed the temporary Federal supplemental compensation program in August, the national unemployment rate has risen over 1 percent. We intended the temporary, limited program with a maximum of 10 weeks of benefits to help workers through depths of the unemployment crisis. Unfortunately, and tragically for the unemployed, the 10-week period is ending. Unemployment, however, has not even stayed constant; it has worsened considerably.

I am not prepared to see Congress abandon American workers who through no fault of their own face a desperate Christmas without hope of immediate reemployment or continued unemployment compensation benefits.

I thank the chairman of this subcommittee for holding this hearing and for his commitment to bringing legislation to the floor so that enactment of extension of benefits is possible in the 97th Congress. Christmas is 17 days away. I know that there are those who will respond to this legislation by saying that the Federal Government cannot be Santa Claus to everyone. No one is asking for a universal Santa Claus.

Rather, we are asking for a responsive, responsible unemployment compensation program which recognizes that since August, the number of unemployed people in this country has risen by over 1 million. Supplemental benefits are expired, and there are no jobs to which the unemployed may turn.

On Thanksgiving, administration officials surfaced an unfortunate suggestion that we lower further the threshold at which unemployment compensation benefits are taxed. I was concerned about the suggestion in part because it would increase the tax burden on those Americans who have suffered the most in the recession. What was particularly offensive about this proposal was its rationale: that unemployment benefits are a significant disincentive for unemployed workers to return to work. Make unemployment benefits less attractive, then the unemployed would be ready to return to work.

The unemployed are ready to return to work. They did not want to lose their jobs in the first place.

I know that this subcommittee, and particularly its chairman, is committed to reporting immediately a good bill which addresses the present emergency. Realistically, I understand that any proposal must be simple to administer and must build upon the program enacted this summer. Time is extremely short; we will not have time for extensive changes in the unemployment compensation program during the remaining days of the 97th Congress.

I wish to mention, however, the importance of considering eventually significant changes in the unemployment compensation program.

Later this week, I intend to introduce legislation which would make a number of these changes. This legislation puts together in one bill a number of proposals which have received extensive discussion in the past months.

When I testified before this subcommittee in April, I urged the subcommittee to consider legislation which would permit the establishment of sub-State area triggers for extended benefits and Federal supplemental compensation programs. Throughout the summer, I had extensive discussion with members of this subcommittee and throughout the House on the need for such legislation. I understand that the implication of area triggers will be a lengthy process. Realistically, it may not be possible to implement them in the short-term to meet the immediate crisis we face. It is very important, however, that we lay the ground work for the future. During the recession in 1974 and 1975, the House passed legislation which would have authorized the establishment of sub-State area triggers. Had such legislation been enacted, the mechanism would have been in place, not for the recession in 1974 and 1975 per-

haps, but for the current recession. I intend to reintroduce my bill again in the 98th Congress, and will continue to urge this subcommittee to act on it.

The issue today, however, is far simpler. It is the need for immediate response to a critical economic crisis destroying the lives of millions of Americans. I offer whatever assistance I can to this subcommittee in its efforts to secure enactment of H.R. 7327 or similar legislation within the next 2 weeks.

Chairman FORD. Thank you very much, Mr. Oberstar.

Mr. Matsui?

Mr. MATSUI. I have no questions. I would just like to thank my colleague.

Chairman FORD. Mr. Anthony?

Mr. ANTHONY. I have no questions, but I think I have found next week's guest for "Washington Week in Review" or "Face the Nation" or "Issues and Answers."

Mr. Oberstar, I hope they find you and I hope that you will accept their invitation. You make a very forceful statement of what the problem is, and that some of the solutions that have come forward really are not solutions at all, but are more political statements, and I would like for your testimony to get wider exposure than the basement of the Rayburn Building.

Mr. OBERSTAR. I thank the gentleman very much.

Chairman FORD. Thank you, Mr. Oberstar, for your testimony before the committee.

At this time, the Chair recognizes Bert Seidman, Mr. Dick Warden, Mr. Robert McGlotten to all come to the witness table. You may proceed.

STATEMENT OF BERT SEIDMAN, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, ACCOMPANIED BY ARLEEN GILLIAM, ASSISTANT DIRECTOR, DEPARTMENT OF SOCIAL SECURITY; AND ROBERT McGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION

Mr. SEIDMAN. Thank you, Mr. Chairman. With me to my right is Arleen Gilliam who is the Assistant Director of the Department of Social Security of the AFL-CIO. I am Bert Seidman, the Director of the Department of Social Security of the AFL-CIO.

Mr. Chairman, we appreciate the opportunity to present to this subcommittee the views of the AFL-CIO on the urgent need for additional weeks of supplemental benefits to prevent total deprivation for millions of jobless workers who have exhausted their extended unemployment compensation benefits and in many cases, Federal supplemental benefits.

Mr. Chairman, I have a full statement and I would appreciate it if it would be included in the record of the hearing.

I understand time is pressing and I will try to summarize the statement.

Attached to it also is an editorial which appeared just 4 days ago in the New York Times which I strongly commend to the members of the subcommittee, if they have not already seen it. This editorial states that, "More of the jobless are still out of work after they have exhausted their benefits." We have certainly heard that from every part of the country today. Now is the time, the editorial goes on to say, for Congress to relax the formulas for extended benefits,

so that they can be paid in all States and to postpone the termination of the temporary program.

This would increase the budget deficit, but the expense is justifiable.

Incidentally, this editorial also suggests the need for greater Federal involvement, at least to set fair standards for benefits for all who deserve them. It points out that unemployment is a national concern, and the unemployed are the burden of all Americans. We certainly hope that in the next Congress, this subcommittee will turn its attention to the question of enacting minimum Federal standards for unemployment insurance.

Mr. Chairman, the AFL–CIO welcomes the initiative of the subcommittee and the introduction by you, Mr. Chairman, of H.R. 7327, which if enacted, would provide an additional 5 weeks of benefits to unemployed workers who already have exhausted or will have exhausted before December 1, 1982 Federal supplemental benefits.

In addition, workers who become eligible for these benefits after December 1 would be eligible for benefits of up to 13 weeks rather than the 6, 8, or 10 weeks provided under the present program.

While we favor a maximum benefit duration of 65 weeks, this bill is a considerable step in the right direction. It is absolutely essential now and we strongly commend you, Mr. Chairman, for undertaking this extremely important effort at this most critical time for many millions of Americans. We contrast your compassion, your understanding, with the callous lack of understanding and compassion of the administration which does not even see fit to appear at this most important hearing.

This is despite the fact that the Reagan administration's disastrous economic policies have thrown more individuals out of work than at any time since the Great Depression of the 1930's.

The average length of unemployment has been increasing so that today over 4 million, 38 percent of those without jobs are unemployed for 15 weeks or longer, and more than half of these unemployed workers have been out of work for more than 6 months. This is clear evidence that the economic recovery promised over and over again by this administration is far from being reality, but of the 12 million Americans officially counted as without jobs, only about 5 million are receiving unemployment compensation benefits. Since July 1981, over 5 million have exhausted Reagan benefits and 1 million have exhausted extended benefits, and already 135,000 have exhausted Federal supplemental benefits.

The extended unemployment compensation program under which up to 13 additional weeks of benefits are paid to those who have exhausted their regular benefit has been severely restricted. Because of the change in the trigger calculations, even Michigan, despite depression levels of unemployment, stopped paying extended benefits for 13 weeks, and we have just heard this afternoon that with catastrophic levels of unemployment in the State of Oregon, it, too has triggered off. In addition, the mandated exclusion of those receiving extended benefits in calculating triggers has resulted in extended benefits triggering off in State after State, and let's remember that once a State triggers off, extended benefit payments must cease for 13 weeks.

If the national trigger had not been eliminated, extended benefits would now be available nationwide.

Elimination of the national trigger and the required change in the calculation of the triggers caused over 1 million workers to receive reduced extended benefits or none at all in fiscal year 1982.

As a result of the 1-percent increase in State triggers that became effective at the end of September, extended benefits are being paid in only 14 States. In addition, jobless workers who exhaust their regular benefits are now required to have 20 weeks of qualifying employment in order to be eligible for extended benefits, and we certainly agree with the previous witness who said that any worker who is entitled to receive regular benefits should be entitled to receive extended benefits and supplemental benefits.

The insured rate of unemployment used to trigger extended benefits already has serious defects that have been exacerbated by the required increase in State triggers. The gap between the insured unemployment rate and the official unemployment rate continues to widen. The AFL-CIO has for many years urged substituting for the trigger approach, which is arbitrary and in many ways irrational, an assurance of benefit payments combined with appropriate vocational guidance for all long-term unemployed workers. If the trigger approach is continued, the trigger should be below the levels that are now required in the law as it has been changed.

Workers who lose their jobs, face a long and painful spell without work, and the prospect of losing their unemployment benefits long before they can find jobs. This situation is even more intolerable because jobless workers are finding that other resources, food stamps, welfare, and their last-ditch programs are no longer available to them. This tragic situation should not be allowed to continue.

While the AFL-CIO has long advocated the establishment of a permanent supplemental benefit program, we regard the enactment of H.R. 7327 as a very important step in the right direction. If the Congress does not see fit to enact the permanent program we advocate at the present time, we recommend prompt enactment of H.R. 7327 during this session of Congress, if at all possible, to prevent dire suffering of millions of unemployed workers and their families.

Thank you, Mr. Chairman. We will be glad to answer any questions.

[The prepared statement follows:]

STATEMENT OF BERT SEIDMAN, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

We appreciate the opportunity to present to this subcommittee the views of the AFL-CIO on the urgent need for additional weeks of Federal supplemental benefits to prevent total economic deprivation for millions of long-term jobless workers who have exhausted their regular and extended unemployment compensation benefits, and, in many cases, Federal supplemental benefits.

The AFL-CIO welcomes the introduction by Chairman Ford of H.R. 7327 which, if enacted, would provide an additional 5 weeks of benefits to unemployed workers who already have exhausted or will have exhausted before December 1, 1982, Federal supplemental benefits. In addition, workers who become eligible for these benefits after December 1, would be eligible for benefits of up to 13 weeks rather than the 6, 8, or 10 weeks provided under the present program. While we favor a maximum benefit duration of 65 weeks, this bill is a considerable step in the right direction to

alleviate suffering of the more than 2 million unemployed workers who have been without jobs for more than 6 months.

The Reagan administration's disastrous economic policies have thrown more individuals out of work than at any time since the Great Depression of the 1930's. Millions of jobs have been wiped out since the Reagan recession began. For November, the Bureau of Labor Statistics reported that 12 million workers were without jobs with 10.8 percent of the labor force officially counted as unemployed. These statistics, however, do not tell the full story of deprivation and hardship being experienced by millions of Americans. During the same month another 5 million workers were either too discourage to continue looking for work or accepted part-time employment because they were unable to find full-time jobs. Thus we have 17 million workers who are suffering serious and painful job and income loss and a true unemployment rate of over 15 percent.

The average length of unemployment increased from 14 weeks in July 1981, the beginning of the Reagan recession, to 17 weeks in November 1982. Over 4 million of those without jobs are unemployed for 15 weeks or longer. More than half of these unemployed workers have been out of work for more than 6 months. These bleak unemployed statistics are clear evidence that the economic recovery promised by this administration is far from becoming reality.

Of the 12 million Americans officially counted as without jobs, only about 5 million are receiving unemployment compensation benefits under the regular, extended and Federal supplemental benefits program. Since July 1981, over 5 million unemployed workers have exhausted regular benefits and over 1 million long-term jobless workers have exhausted extended benefits. Another 135,000 have already exhausted Federal supplemental benefits.

The unemployed compensation program is designed to provide income protection for jobless workers and their families during periods of unemployment. During this period of worsening recession and accompanying high rates of unemployment, an adequate and equitable unemployment compensation program is even more essential. Yet, the protections of the unemployment compensation program, particularly for the long-term unemployed, have been drastically eroded as the result of ill-considered restrictions demanded by the Reagan administration and imposed by Congress. As a result, millions of long-term jobless workers and their families are being pushed to the brink of economic disaster.

The extended unemployment compensation program under which up to 13 additional weeks of beneftis are paid to those who have exhausted their regular benefits is severely restricted. The national trigger has been eliminated, recipients of extended benefits are not longer included in the calculation of the insured unemployment rate which serves as the trigger for extended benefits in the States, and State triggers have been increased by 1 percent.

Because of the change in the trigger calculation, even the State of Michigan, despite depression levels of unemployment, stopped paying extended benefits for 13 weeks. In addition, the mandated exclusion of those receiving extended benefits in calculating the triggers has resulted in extended benefits triggering "off" in State after State. Once a State triggers "off," extended benefit payments must cease for 13 weeks. If the national trigger had not been eliminated, extended benefits would now be available nationwide instead of in only 14 States since the national insured unemployment rate exceeds 4.5 percent required before the national trigger was eliminated.

Elimination of the national trigger and the required change in the calculation of State triggers, caused over 1 million workers to receive reduced extended benefits or none at all in fiscal year 1982. As the result of the 1 percent increase in State triggers that became effective at the end of September, extended benefits are being paid in only 14 States. This increase was required even though the official unemployment rate in September was 10.1 percent. In addition, jobless workers who exhaust their regular benefits are now required to have 20 weeks of qualifying employment in order to be eligible for extended benefits.

The insured rate of unemployment used to trigger extended benefits already has serious defects that have been exacerbated by the required increase in State triggers. The gap between the insured unemployment rate and the official unemployment rate continues to widen. During the 1974–76 recession, the gap averaged 3 percent. This differential has increased to almost 5 percent nationally and in some States the differential is even greater. The AFL–CIO has for many years urged substituting for the trigger approach of unemployment insurance an assurance of benefit payments combined with appropriate vocational training and guidance for all long-term unemployed workers. Before enactment of the drastic cutbacks in the extended benefit program, the required trigger levels were too high to assure protec-

tion for long-term jobless workers. If the trigger approach is continued, the triggers should be below that level.

The latest figures we have from the Labor Department indicate that because of the restrictions now in effect over 3 million additional workers will lose extended benefits during this fiscal year. Long term jobless workers are thus being forced to bear the responsibility for their unemployment which has been caused by economic events over which they have no control. This is the height of injustice.

Workers who lose their jobs face a long and painful spell without work and the prospect of losing their unemployment benefits long before they find jobs. Many of those who do manage to obtain employment will be permanently locked into low-paying jobs, thus wasting their skills and forcing their families to adjust to a drastically reduced standard of living.

This situation is even more intolerable because jobless workers are finding that other resources are no longer available to them. Most of those who exhaust benefits and can't find jobs do not qualify for welfare assistance because of harsh restrictions on ownership of homes, cars and other modest assets that workers have been able to accumulate or because they live in States which restrict welfare payments to single-parent families. In addition, many of these workers are also disqualified for food stamps due to the lowered ceiling on the amount of income a family can earn in order to be eligible.

This tragic situation must not be allowed to continue. During recessionary periods with accompanying high rates of unemployment, labor market conditions are such that the period of job search for unemployed workers is much longer than in prosperous times. Immediate action is necessary to forestall economic disaster for millions of long-term jobless workers. The protections of the extended benefit program must be restored and the program of Federal supplemental benefits must be extended beyond the March 31, 1983, expiration date.

The AFL-CIO has long advocated the establishment of a permanent supplemental benefit program which would provide benefits for up to 65 weeks in all phases of the business cycle for the long-term unemployed who have had a firm attachment to the labor force. We urge you to enact legislation that would provide 26 weeks of benefits in addition to the current 39 week maximum provided under the regular and extended benefit programs. Such a program should be funded by general revenues as the National Commission on Unemployment Compensation has recommended. Since recession-induced unemployment is attributable to Government policies and national economic conditions, the Federal Government should bear the cost of these additional benefits.

The AFL-CIO is convinced that unemployment remains America's number one economic problem. Organized labor has consistently advocated and supported legislative efforts to establish jobs and put people back to work. We still favor this approach to solving the problems of joblessness, but until the goal of full employment is achieved, a Federal supplemental benefit program to provide up to 65 weeks of unemployment compensation benefits, financed with general revenues, is urgently needed by the large numbers of jobless workers and their families who need its protection. If the Congress does not see fit to enact the permanent program we advocate at the present time, we recommend prompt enactment of H.R. 7327 to prevent dire suffering of millions of unemployed workers and their families.

[New York Times, Dec. 4, 1982]

The Safety Net Comes Apart

This morning's front pages teli only part of the bad news: 10.8 percent unemployment, 12 million Americans looking for jobs and more than a million others so discouraged they have given up looking. The rest of the story was in yesterday's paper—more than half of those 13 million are not getting benefits from unemployment insurance.

Beyond any "jobs" programs, which do not create jobs immediately and do not address the problems of those who continue unemployed, the nation's unemployment insurance system is the safety net. It needs repair.

The White House fumbled the issue last week when it floated its notion of taxing benefit payments. It was a good idea when President Carter proposed it four years ago and it remains a good idea in principle. But now is not the time to impose new hardship on the jobless or for callous observations by White House aides that lower benefits might prod some idlers to look for work.

Other repairs, however are possible—first among them one that would lengthen the time an unemployed worker can collect benefits. All states provide coverage for at least 26 weeks, some longer. The Federal Government helps pay for 13 more

weeks in 13 states and Puerto Rico. And a formula for still longer payments was added this year, but it expires next March 31.

Meanwhile the recession goes on, unemployment worsens and more and more of the jobless are still out of work after they have exhausted their benefits. Now is the time for Congress to relax the formulas for extended benefits, so that they can be paid in all states, and to postpone the termination of the temporary program. This would increase the budget deficit if no offsetting cuts are made, but the expense is justifiable. In setting up the program, the Government assumed an obligation to provide adequate benefits. It cannot now back away.

Other problems are not so quickly resolved. One is the size of benefits. Each state sets its own. Some are unquestionably so high that there is little incentive to find a paying job; others are so low that they barely provide support. The average is $125 per week.

Still another issue is the breadth of coverage. There are 110 million people in the civilian labor force—employed and unemployed—but unemployment insurance is available to only 88 million of them. Many of the unemployed are teenagers fresh out of school with no work experience, the very people who find it hardest to get a job in times like these.

Also uncovered are involuntary part-timers—people who desire but cannot find full-time work. Labor Secretary Donovan is considering a measure to let them work part time and still collect benefits, but it would only be recommendation to the states, not a mandate.

While these problems are not going to be solved easily, or cheaply, they suggest a need for greater Federal involvement, at least to set fair standards for benefits for all who deserve them. Unemployment, no less than poverty, is a national concern. New York didn't bring on the recession and neither did Alabama. The unemployed are the burden of all Americans.

Mr. HANCE [presiding]. Thank you very much for your fine testimony. I think before we get into questions, we will go through with the entire panel first and so I call on Mr. Dick Warden, legislative director of the UAW.

STATEMENT OF DICK WARDEN, LEGISLATIVE DIRECTOR, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE, AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA

Mr. WARDEN. Thank you very much, Mr. Chairman. I am delighted to be here today and have the opportunity to testify before this subcommittee on this important subject. I have a prepared statement here which I would like to file for the record if that is permissible.

Mr. HANCE. Without objection.

Mr. WARDEN. I will go ahead and make a few comments.

Much of what I would have said if time had not been of the essence would have been duplicative of what Mr. Seidman said. We concur with all of what he said. We endorse the bill introduced by the chairman some time ago, and we hope the subcommittee will report that bill without any amendment as rapidly as possible.

We believe, however, that as good a first step as that bill represents, and it is an important first step, that much more needs to be done.

When you consider the devastation that has been caused by what the Congress has done and by what the administration has done since the start of this Congress, it is mind-boggling to say the least.

Congressman Oberstar has testified about the Iron Range. Look at the States of Michigan, Indiana, Ohio, Pennsylvania, parts of California, parts of your own State of Texas. It is becoming a nationwide problem, and when you look back at what the Congress did in that reconciliation legislation of 1981, the reasons for the

problem become clearer. I was there watching what was going on, as were all of the members of this committee, and as much as we wanted to be on top of everything in the bill, I know full well that much of that legislation passed and people were not aware of the implications.

That bill now is fully implemented, and it has been devastating. It has hurt members of unions and unorganized workers all over the country who have needed the help of their government now when they are down and out through no fault of their own.

The economic problems that they are trying to contend with are not caused by those people by any stretch of the imagination. They are beyond the control of those people. We appeal to this subcommittee to take the first step, but we believe at the same time that you should be focusing on the additional problems that have been caused for unemployed Americans.

I would like to remind you of some of the things that have happened. Look at the cutbacks to which Mr. Seidman alluded in the unemployment compensation extended benefit program.

There were a number of them—changing the calculation for the trigger, increasing State triggers, doing away with the national trigger. These actions have had the effect of putting at risk hundreds of thousands of people who want jobs and can't find them.

When you look at the way the program of trade adjustment assistance has been decimated and at the cutbacks in food stamp and welfare programs, you recognize some things have to be done. If they are not done, there are a lot of people who have nowhere to turn.

They are looking to the Congress of the United States as the one forum for a response. So far as the UAW is concerned, we are now experiencing the most difficult time in the history of the union.

We have 257,000 workers who are indefinitely laid off, 275,000. Now, that is a lot larger than many cities in this country, and almost as large as our smallest States—275,000 UAW members who are indefinitely laid off. That doesn't count the supplier industries, it doesn't count the parts suppliers.

It doesn't count a million people overall who are out of work as a result of the depression in the automobile industry. This is a depression, recession as it is called in some areas, but I will call it a depression as Mr. Oberstar did. That is what it is in areas where there are concentrations of our members.

This has been going on for 45 months now. People in need have no benefits in many situations, so we appeal to you today to take this action that you have before you in H.R. 7327.

On behalf of the members of the UAW, I want to thank you for the opportunity to be here today.

I am accompanied by Leon Potok, who is in our Research Department in Detroit. Because of the time problem that we have today, we will terminate our testimony and be prepared to respond to any questions you may have.

[The prepared statement follows:]

STATEMENT OF THE INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE, AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, UAW

Mr. Chairman, my name is Dick Warden, Legislative Director of the United Auto Workers. On behalf of our 1.3 million members, I wish to thank you for this opportunity to express the UAW's views on H.R. 7327, which aims to ease the burden of the long-term unemployed. We commend you, Mr. Chairman, and members of the subcommittee for holding this hearing and for considering legislation desperately needed by too many unemployed workers, including many who are part of the more than 1 million workers who have lost their jobs as a result of the auto industry's disastrous 45 month slump. At a time when the Reagan administration seems oblivious to the problems of severe and long-term unemployment which its policies have done so much to create, it is gratifying that some members of Congress are not willing to forget the economic hardships imposed on millions of workers by the current recession and the injustices of the administration's economic program.

The UAW supports H.R. 7327 to extend the duration of unemployment benefits, with the strong recommendation that it be expanded beyond April 1983, to become a permanent program providing for a maximum benefit duration of 65 weeks when the national unemployment rate is at or more than 4 percent, and 52 weeks otherwise.

Nationwide unemployment has reached a crisis level with some 12 million workers jobless—more than at any time since the Great Depression—including approximately 5.2 million receiving unemployment insurance benefits. The overall unemployment rate of 10.8 percent is the highest during the post-World War II period, and threatens to climb even higher in coming months.

Economic activity has plummeted since July 1981, leading to a sharp deterioration in the job market. Over the past 17 months, 2.7 million jobs have been lost. Since the start of the recession in July 1981, the number of employed workers has dropped by 1.8 million (seasonally adjusted, based on household data), and 4.2 million workers have joined the ranks of the unemployed, with no group escaping rising joblessness. In auto, where unemployment was at crisis proportions even before the current national recession, tens of thousands of workers have been added to the ranks of the indefinitely laid off.

Tragic as these figures are, they hide the true severity of the problem. The record-high 6.5 million workers who cannot find full-time jobs and who must work part-time are excluded, as are 1.6 million discouraged unemployed.

The outlook is bleak: many more workers will suffer from joblessness before this recession is over. All signs point to double-digit unemployment rates in coming months, as the economy continues to decline or at best crawl along the bottom.

In the midst of this labor market catastrophe, the assistance received by the jobless has been grossly inadequate: only 48 percent of the unemployed were receiving unemployment insurance benefits in October. This is shamefully low by historical standards; the ratio averaged 60 percent in prior post-World War II recessions. It also flagrantly violated the purpose of the Federal-State unemployment insurance system, which was established in the mid-1930s in recognition of the enormous costs borne by unemployed workers as a result of economic, political, and social forces over which they have no control. Two major goals were set: first, to cushion workers against economic hardship when they become unemployed through no fault of their own; and second, to bolster purchasing power when total spending is declining, thereby helping to automatically stabilize an historically cyclical economy. The two goals are closely related—an adequate level and duration of benefits are required to ease private adversity and bolster a community's total purchasing power during a period of economic decline and increasing unemployment.

The changes in the unemployment insurance system enacted as part of the Omnibus Budget Reconciliation Act of 1981 seriously weakened the program and its role as a first line of defense against the hardships brought about by rising unemployment. Not only have unemployed workers and their families suffered by the shredding of the already threadbare safety net provided by the unemployment insurance program, but businesses have suffered as well due to the rapid shrinkage of purchasing power in their communities. The number of workers exhausting their regular State benefits has been increasing sharply and far too few exhaustees have been "fortunate" enough to live in high unemployment States that are paying extended benefits. The costs arising from unemployment and the exhaustion of benefits are being borne privately in the homes of the unemployed—costs that range from financial insolvency and the inability to pay for urgently needed medical care to the rise in intra-family tensions and mental health problems. The costs also are being borne

socially as the long-term impacts of higher crime, community instability, and mental health problems associated with increasing unemployment begin to spread.

The erosion of the unemployment insurance system has served to undermine its role as an automatic economic stabilizer and thereby has contributed both to the accelerating rate of which the economy has plummeted and to the accompanying rash of business bankruptcies, especially of smaller businesses that are directly dependent on consumer spending. Recent tallies indicate that business failures in 1982 are headed for the highest level since 1932. The sharp cutbacks in unemployment benefits have worsened the recession by weakening the automatic stabilizing role of the program. The recession impact of these cutbacks has been reinforced by the cuts in other public assistance benefits and in public employment programs.

While countless businesses have been weakened financially by two successive and even-more severe economic slumps in the course of less than four years, the finances of millions of workers have been depleted by recurrent long spells of unemployment. Common sense and research studies conducted in the last decade inform us that workers react to unemployment and the loss of wages and benefits by cutting back on spending and by resorting to savings and to loans from family and friends. Many workers have depleted their meager savings and are not in any position to draw on them or on the goodwill of family and friends any longer.

The UAW has long called for an overhaul of the unemployment compensation system. We supported the creation of the National Commission on Unemployment Compensation in 1976. Regional Director Ken Morris, a member of the UAW International Executive Board, served on the Commission together with other labor representatives and representatives of the business community and public sector. The UAW presented to the Commission a comprehensive proposal that remains fully relevant today.

The National Commission performed the first comprehensive study of the patchwork of State and Federal programs that make up the unemployment insurance system, and came out with a full report and recommendations in July 1980. Unfortunately, its findings have been virtually ignored. A full review of the Commission's recommendations and a complete overhaul of the unemployment compensation system are long overdue. The UAW intends to take part in the process and to present our proposals when such discussions are conducted.

For background purposes, it is important to review the National Commission's recommendations for dealing with the problems of the long-term unemployed. The Commission recommended continuation of the State and national extended benefit programs, with a single insured rate trigger of 4 percent for the State program and 4.5 percent for the national program. Furthermore, the Commission advanced a proposal for a permanent two-tier supplemental extended benefit program that would provide up to 52 weeks of benefits when the State insured rate reached 4.5 percent or when the the national insurance rate reached 5 percent, and to provide up to 65 weeks of benefits when either of the two insured rates reached 5.0 percent or 5.5 percent, respectively. The Commission recommended financing this program through Federal general revenues.

The UAW supported the extension of benefits under the Federal Supplemental Benefit program and is strongly in favor of the legislation to extend benefits from 6-10 weeks to 11-15 weeks for unemployed workers currently eligible for benefits and an even 13 weeks for all workers who become unemployed after December 1, 1982, as proposed in H.R. 7327. However, we urge Congress to go beyond this measure and to restore the integrity of the Federal-State extended benefit program as well. Moreover, we hardly view it as a fair bargain to have required many of the unemployed to pay for a temporary program through a permanent increase in income taxes paid on unemployment benefits, as required under the 1982 Tax Act.

Restoring the integrity of the Federal-State extended benefit program will require several changes, as detailed in what follows:

Computation of the insured unemployment rate should count among the "insured unemployed" recipients of extended benefits, and should not be restricted only to claimants receiving regular State benefits. Proponents of the computation method enacted in the summer of 1981, which excludes extended benefit and Federal Supplemental Benefit recipients, argue that it not only cuts "costs," but also is more equitable because it defines the level of unemployment identically for both "on" and "off" triggers. The former method counted recipients of State benefits for triggering "on," and recipient of both State benefits and extended benefits for triggering "off." In our view, the former method not only provided a better measure of unemployment, but it also represented a more equitable measure. While the former method counted exhaustees of State benefits precisely when exhaustion rates are most likely to rise—in the midst of a recession—the current method misses all fluctu-

ations in the exhaustion rate by counting only recipients of State benefits. Furthermore, by ignoring all exhaustees of regular State benefits, the current method punished exhaustees in States experiencing a combination of declining rates of job loss and stagnant employment growth.

The "cost savings" effects of this obscure but devastating technical change in the method for computing the insured unemployment rate were felt by unemployed workers in Michigan last winter. With the State's total unemployment rate hovering at about 12 percent—the highest then of any State in the country, though it is now a record 17.2 percent—the insured unemployment rate fell below 5 percent in early November 1981. This led to the cut-off of extended benefits for the 13 weeks between the end of November and the first week in March. Had recipients of extended benefits been counted, the insured unemployment rate would have been in excess of 6 percent and payment of benefits would not have been interrupted. Suspension of the program hurt the more than 30,000 Michigan claimants then receiving benefits, and the much larger number who exhausted regular State benefits in subsequent weeks. Tens of thousands of State benefit exhaustees suffered through a cold, harsh winter, made bleaker by a "cost saving" budget cut that has produced an illogical measure of unemployment which ignores all benefit exhaustees—an Alice-in-Wonderland notion that a decline in the number of regular State benefit recipients necessarily reflects an improvement in employment opportunities for the long-term unemployed. As noted below, even if unemployment remains high, exhaustees of State benefits in Michigan are likely to be similarly denied extended benefits in coming months because of the change in computing the trigger and the changes in the trigger rates.

The program for paying extended benefits in all States when the national insured unemployment rate exceeds 4.5 percent must also be revived. The national extended benefit program is essential in bolstering purchasing power and in protecting unemployed workers concentrated in high unemployment areas of States otherwise not paying extended benefits. Had the national trigger not been eliminated and the insured unemployment rate computation not been changed, extended benefits would have been available in every State since mid-1981. The FSB program has provided a temporary cushion in the nearly 40 States that are not paying extended benefits, but it certainly is not adequate to serve the needs of long-term unemployed workers.

The increases in the insured rates for individual States to trigger "on" the extended benefit program, which went into effect in October, must be rescinded. Prior to the change, exhaustees of regular benefits in 23 States were eligible for up to 13 additional weeks of extended benefits. With the tightened trigger requirements in effect (5 percent 13-week average insured rate and 20 percent higher than the insured rate in the same weeks in prior 2 years, or 6 percent insured rate in the States selecting this optional trigger), nearly 125,000 exhaustees in nine States immediately became ineligible for the additional weeks of benefits. Another quarter of a million recipients of extended benefits were in States that either were to trigger off upon the completion of their minimum 13-week EB period, or with insured rates hovering near the cutoff marks. In Michigan, for example, the insured rate fell below 6 percent during September and "luckily" rose above 6 percent during the very week that the higher trigger rates went into effect. We urge Congress to head off the tragedy that clearly is being created by the increases in the extended benefit triggers.

Rescinding the cutbacks in State and national extended benefit programs could afford unemployed workers much of the income protection they require while unemployed due to forces beyond their control. Along with H.R. 7327, Congress could help to address many problems of the long-term unemployed by rebuilding the Extended Benefit program and by providing up to 13 additional weeks of Federal Supplemental Benefits to exhaustees of State and extended benefits, thereby providing a maximum duration of 52 weeks.

Legislation to fully restore the Extended Benefit program and to lengthen the potential duration available under the FSB program would parallel similar programs enacted in prior recessions and is more urgently needed today than at any other period in the last 4 decades. During the two recessions of the 1970s, for example, legislation was enacted to extend unemployment benefits for durations of as long as 65 weeks. Between January 1972 and March 1973, benefits were extended for an additional 13 weeks, up to a maximum of 52 weeks. Benefits became payable for an additional 13 weeks to exhaustees of extended benefits between January and March 1975 for 26 additional weeks (up to 65 weeks) between March 1975 and March 1977, and for 13 additional weeks (up to 52 weeks) until January 1978. The 13 additional weeks of potential benefits payable between April 1977 and January 1978 were financed by general revenues.

As indicated earlier, unemployed workers now face far bleaker prospects than at any time during the post-World War II period, yet benefits are available for a shorter duration than during any recent recession. Though we welcome and support the proposal under H.R. 7327 to extend benefits by 5 weeks beyond the current FSB period, we recommend that it be expanded as a permanent program providing for a maximum benefit duration of 52 weeks under normal circumstances and no less than 65 weeks when unemployment at the national level exceeds the 4 percent goal set forth in the Full Employment and Balanced Growth Act of 1978.

Mr. Chairman, I appreciate the opportunity to share with you and members of your subcommittee our views on the proposed legislation and our suggestions for strengthening the proposals which we believe vital for protecting workers and their communities against the debilitating effects of long-term unemployment.

Thank you.

Chairman FORD. Thank you.

Mr. WARDEN. Mr. Powderly?

STATEMENT OF JOHN M. POWDERLY, LEGISLATIVE REPRESENTATIVE, UNITED STEELWORKERS OF AMERICA

Mr. POWDERLY. I am John Powderly, appearing on behalf of Mr. Sheehan. I, too, have a piece of testimony that I would like to enter in the record. In the business of being brief, it would shorten it and go to the heart of the matter.

Chairman FORD. Without objection, it will be entered in the record.

Mr. POWDERLY. My union represents not only basic steelworkers but also aluminum workers, iron ore and nonferrous workers and workers in thousands of plants which fabricate steel products. I will begin my testimony by saying that each and every unemployed person in my union wants is to go to work, and soon. Employment in the steel industry continues a decline that began 18 months ago with the loss of over 100,000 jobs in the basic steel industry since the first of the year.

The domestic steel industry operated at barely one-half its capacity during the first 9 months of this year and dropped below 40 percent beginning in September. We appreciate your concern and support H.R. 7327 which will provide additional 5 weeks of benefits after the exhaustion of the Federal compensation program, and urge speedy adoption by the Congress.

The rest of my testimony, like that of Mr. Seidman and the brother from the UAW testified to, goes to the heart of the changes that were enacted last—with the appropriations bill and came into effect in October of this year. We cite the examples, for instance, of Louisiana, which currently has an unemployment rate 100-percent higher than its last 2-year average and yet it triggered "off" the extended benefit program in October. Arizona, with a surge of 91 percent; Kansas with a surge of 81 percent; and Utah with 72-percent more unemployed than the 2-year average prior to it have likewise triggered off. California, with the largest number of unemployed workers in the country, dropped an estimated one-quarter of a million workers when the trigger formula came into effect in October.

Members of the Congress have testified to their particular region. Mr. Aucoin testified that Oregon is devastated. It is going to trigger off. Not counting in the trigger mechanism those workers who are on the EB program in the calculation of having that pro-

gram remain in effect—this is like not counting the hospital patients who are in intensive care units.

Mr. Chairman, we ask for one revision. Some unemployed workers have been declared ineligible for the Federal supplemental compensation program because they have failed to achieve the requisite 20 weeks of work or its equivalent during the base period. Congressman Gaydos testified to that a few minutes ago. We urge the committee to look into waiving this requirement in H.R. 7327 to allow all workers who have exhausted their unemployment compensation to receive this additional 5 weeks.

We thank you for introducing this legislation and recommend its swift passage.

[The prepared statement follows:]

STATEMENT OF JOHN M. POWDERLY, LEGISLATIVE REPRESENTATIVE, UNITED STEELWORKERS OF AMERICA

Mr. Chairman, members of the subcommittee, my name is John Powderly, and I am a legislative representative of the United Steelworkers of America.

My union not only represents basic steelworkers, but also aluminum workers, iron and non-ferrous miners and workers in thousands of plants which fabricate steel products. And I would begin my testimony by saying that what each and every unemployed person in my union wants is to go to work.

The President continues to claim that unemployment is a lagging indicator on the road to recovery; but the monthly reports by the Bureau of Labor Statistics repeatedly show new entries to the unemployment lists and this is a leading indicator that we are really on the road to depression.

Employment in the steel industry continues a decline that began eighteen months ago, with a loss of over 100,000 jobs since the first of this year. The domestic steel industry operated at barely half of its production capacity during the first nine months of this year, and dropped below 40 percent beginning in September.

Congress is now in the process of fashioning a jobs bill, but at this time, there are over a million unemployed who have exhausted all eligibility for unemployment compensation with no immediate prospect of finding work.

Mr. Chairman, we appreciate your concern and we support H.R. 7327, which will provide an additional 5 weeks of benefits after the exhaustion of Federal supplemental compensation which became operative on September 12, of this year.

However, we believe this is only a stopgap measure that will serve until the new Congress convenes because the amendments this administration attached to the extended benefits program have seriously damaged that program.

For example, Louisiana currently has an insured unemployment rate over 100 percent higher than its last 2-year average; however, it triggered "OFF" the extended benefit program in October. Arizona with a 91 percent surge, Kansas with 81 percent and Utah with 72 percent more unemployed, did likewise. California, which has the largest number of unemployment workers in the country, dropped an estimated quarter of a million workers off the EB program when the new 5 percent trigger formula came into effect in October.

Eleven States with high levels of insured unemployment dropped off the EB program because with a chronically long duration of layoff, they fell below the 20 percent surge trigger.

Finally, Mr. Chairman, all 27 States which have dropped out of the EB program have triggered off earlier than the would have if the unemployed who were receiving an extended benefit were counted in the calculation. It was because of this folly that Michigan, with the highest unemployment in the country, went off the EB program a year ago and remained off during the whole winter.

Mr. Chairman, some unemployed workers have been declared ineligible for the Federal supplemental compensation because they failed to achieve the requisite 20 weeks of work, or its equivalent, during their base period.

We urge you and the committee to waive this requirement in H.R. 7327 and allow all workers who have exhausted their unemployment compensation to receive these additional 5 weeks.

Fifteen states triggered "OFF" the EB program because they fell below the trigger calculations.

	IUR	Surge	Date ended
1. Alabama	4.96	117	July 31, 1982.
2. Arkansas [1]	5.00	113	July 3, 1982.
3. Delaware	2.98	103	July 17, 1982
4. Indiana	4.30	119	Do.
5. Iowa	3.90	130	Oct. 2, 1982.
6. Kentucky [1]	5.19	113	Sept. 4, 1982.
7. Maine	4.58	112	July 3, 1982.
8. Maryland	3.94	139	July 31, 1982.
9. Massachusetts	3.60	121	June 26, 1982.
10. Minnesota	3.73	138	July 10, 1982.
11. Missouri	3.85	100	June 19, 1982.
12. New Jersy	4.61	107	Do.
13. Tennessee	4.50	118	Sept. 25, 1982.
14. Vermont	4.67	118	Aug. 21, 1982.
15. Virgin Islands	4.58	118	Aug. 28, 1982.

[1] Did not have a 5-percent national trigger.

Eleven states trigger "OFF" the EB program when the amendment became effective in October 1982:

	IUR	Surge	Date ended
1. California	4.81	134	Oct. 23, 1982.
2. Arizona	4.59	188	Do.
3. Kansas	4.31	180	Nov. 6, 1982.
4. Louisiana	4.80	198	Oct. 23, 1982.
5. Montana	4.17	120	Do.
6. Nevada	4.19	146	Do.
7. New Mexico	4.00	152	Nov. 29, 1982.
8. North Carolina	4.21	151	Oct. 23, 1982.
9. Utah	4.41	170	Do.
10. Alaska	5.12	93	Do.
11. Rhode Island	5.15	111	Do.

Chairman FORD. Thank you very much.

Mr. Stark?

Mr. STARK. Mr. Chairman, I move H.R. 7327 and urge its favorable adoption.

Chairman FORD. If you would hold up one more minute we do have one more witness.

Mr. POWDERLY. That is called swift.

Chairman FORD. Mr. Matsui?

Mr. MATSUI. No questions. I appreciate the testimony.

Chairman FORD. The Chair will recognize Mr. Barclay Gardner, president and administrator of the Utah Employment Security Department, representing the Interstate Conference of Employment Security Agencies, Inc.

Mr. Gardner, I was scheduled to appear before the Conference yesterday, but I think you know that I was unavoidably detained on the House floor. I am sorry that I was unable to be with you yesterday.

STATEMENT OF BARCLAY GARDNER, PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC., AND ADMINISTRATOR, UTAH EMPLOYMENT SECURITY DIVISION

Mr. GARDNER. We understand your problem. We were sorry to miss hearing from you yesterday.

Mr. Chairman and committee members, my name is Barclay Gardner. I am administrator of the Utah Department of Employment Security and president of the Interstate Conference of Employment Security Agencies [ICESA]. I am accompanied by Bill Heartwell and Cheryl Templeman of the staff. We thank you for the opportunity to present the views of ICESA regarding H.R. 7327 a bill which proposes additional weeks of Federal supplemental compensation [FSC].

I will present a brief summary of my statement, but request that the full statement be entered into the record. We believe that extending UI benefits should be only one of a variety of antirecessionary measures. Until other remedies begin to show results, however, additional weeks of benefits would minimize individual hardships and help maintain economic stability in many communities.

Additional weeks of FSC should be considered in the context of recent changes to the permanent Federal-State extended benefit program. These changes have made requirements for triggering on extended benefits much more stringent.

There is one aspect of the current Federal supplemental compensation program which we would like to bring to your attention, however. In the legislation authorizing FSC, Congress recognized that it was appropriate to finance both the cost of benefits and the cost of administering the program from general revenues rather than unemployment taxes. However, the Department of Labor has made no request for general revenues to finance an estimated $42.5 million cost of administering the FSC program. We urge you to seek adequate general revenue financing for FSC administration along with appropriations for any additional weeks of benefits which you may recommend.

The problem of long-term unemployment is a difficult one. We are pleased that this committee is considering a response to the problem from the national level and that you have given us the opportunity to present our views.

Please be assured that we stand ready to efficiently implement any program of supplemental unemployment benefits which the Congress may deem necessary during this time of economic distress.

Thank you again for the opportunity to speak before this committee concerning this issue.

[The prepared statement follows:]

STATEMENT OF BARCLAY GARDNER, ADMINISTRATOR, UTAH DEPARTMENT OF EMPLOYMENT SECURITY, AND PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

Mr. Chairman and Committee members, my name is Barclay Gardner. I am Administrator of the Utah Department of Employment Security and President of the Interstate Conference of Employment Security Agencies (ICESA).

During every major recession since the 1950s, Congress has temporarily extended the potential duration of unemployment benefits. In 1970, the permanent Federal-

State extended benefit program was established to provide up to 13 additional weeks of benefits during periods of high unemployment. During the recession of the mid-1970s a temporary program, Federal Supplemental Benefits (FSB), provided initially up to another 13 weeks of benefits and later a maximum of 26 weeks, making the total potential duration of benefits 65 weeks. In response to the current recession the Congress enacted in August of this year, a temporary program of Federal Supplemental Compensation (FSC) which provides up to 6, 8 or 10 additional weeks of benefits, the number depending on the economic conditions of the state.

H.R. 7327 would make another 5 weeks of benefits available for those who qualified for FSC prior to December 1, setting the three levels of potential benefits available at 11, 13, and 15 weeks. For those qualifying for FSC in weeks after December 1, a maximum of 13 weeks would be available in all States.

During the current recession the impact of high levels of unemployment has been cushioned to a great extent by the availability of regular, extended and supplemental unemployment benefits. Recently, however, the percentage of unemployed workers who are exhausting regular benefits is approaching the level experienced in 1975 and 1976. Simply extending the duration of unemployment benefits will not solve the special problems associated with many of the current, long-term unemployed, as significant numbers of these laid-off workers will not return to their previous employment. Other approaches therefore should be considered for these individuals. The Interstate Conference believes that extending unemployment benefits should be only one of a variety of anti-recessionary measures. Until these other remedies begin to show results, however, additional weeks of benefits would minimize individual hardship and help maintain economic stability in many communities.

Additional weeks of FSC should be considered in the context of changes that have been made to the permanent Federal-State extended benefit program (EB). On September 25, of this year the two levels of unemployment at which extended benefits are available in the individual states was increased by one quarter and one fifth respectively. The "mandatory" trigger was increased from 4 percent, and a 20 percent increase in unemployment over the prior 2 years, to 5 percent along with a 20 percent increase over the prior 2-year period. The "optional" trigger was increased from 5 percent to 6 percent. (The optional trigger does not require a percentage increase from a prior period.) In addition, the formula for computing the rate of unemployment for extended benefit trigger purposes was revised to exclude those receiving extended benefits. All of these changes make the requirements for triggering "on" EB more stringent. Consequently, fewer states are currently paying extended benefits than there would have been under the prior trigger levels. Fourteen States are now paying extended benefits. In those States, the maximum potential duration of benefits is 49 weeks (26 regular, 13 EB, 10 FSC). If the lower trigger levels were in effect, another 13 States would be paying extended benefits on the basis of the level of insured unemployment in the State.

Another change made since the last recession is elimination of the national trigger for extended benefits. Under the old law an extended benefit period was in effect in all States, under the national trigger, when the national 13 week average rate of insured unemployment was 4.5 percent or higher. If the national trigger has not been repealed, extended benefits would now be available in all States on the basis of the current national level of insured unemployment.

As the Federal Supplemental Compensation program is now structured, there are three levels of benefits available; i.e., 6, 8 or 10 weeks, depending on the economic conditions of the state. Federal Supplemental Compensation is the first emergency extension of unemployment benefits to adopt this targeted approach. H.R. 7327 would change the program from this three tier structure and make available a uniform 13 weeks of benefits in all States regardless of economic conditions in the individual States. This is the approach taken by previous emergency extended benefit programs.

The justification for making available fewer additional weeks of benefits in States with lower unemployment and a higher number in States with greater unemployment is based on the premise that job opportunities and chances for reemployment vary with the level of unemployment in the State. Therefore, fewer weeks are needed in States with lower unemployment. A uniform number of weeks in all States is based on the premise that during a national recession there are pockets of high unemployment which require more weeks of benefits even in those States with relatively lower statewide unemployment levels. There is also the position that a Federal program of unemployment benefits, justified by a national recession, should make the same number of weeks available to unemployed workers throughout the country as a matter of equity. There is merit in the arguments for both the targeted

and the uniform approach to the duration of FSC. Our membership has not had an opportunity to choose between the two. Therefore, we offer these comments without a recommendation in favor of one approach over the other.

There is one aspect of the current Federal Supplemental Compensation program which we would like to bring to your attention. In the legislation authorizing FSC, Congress recognized that it was appropriate to finance the costs of both benefits and administration from general revenues rather than unemployment taxes. The administration has made no request, however, for general revenues to finance an estimated $42.5 million cost of administering the program. Instead, it is anticipated that this amount will come from Federal Unemployment Tax Act (FUTA) funds. As you know, current FUTA revenues are severely strained and may not be sufficient to meet the cost of administering the regular and extended programs in fiscal year 1983. Diversion of these scarce resources to finance functions that are not properly FUTA-funded is a serious problem for the employment security system. We urge you to seek adequate general revenue financing for FSC administration along with appropriations for any additional weeks of benefits which you may recommend.

The problem of long-term unemployment is a difficult one. We are pleased that this committee is considering a response to the problem from the national level and that you have given us the opportunity to present our views. Please be assured that we stand ready to efficiently implement any program of supplemental unemployment benefits which the Congress may deem necessary during this time of economic distress.

Thank you again for the opportunity to speak before this committee concerning this issue. I shall be happy to answer any questions you may have.

Chairman FORD. Mr. Gardner, thank you very much for appearing and testifying before the subcommittee. We have had assistance from the conference in the past and I thank you on behalf of the subcommittee.

Thank you once again for testifying before the committee.

Mr. Hance, do you have any questions?

Mr. Matsui?

Mr. MATSUI. I have no questions.

Chairman FORD. Mr. Anthony?

Mr. ANTHONY. No questions.

Chairman FORD. Once again, we thank you for testifying before the committee. Hopefully we can expedite this legislation.

That concludes the subcommittee hearing on H.R. 7327. As soon as we get a quorum we will reconvene and immediately move to markup of the bill.

[Whereupon, the hearing was adjourned.]

[The following was submitted for the record:]

U.S. DEPARTMENT OF LABOR,
Washington, D.C., December 8, 1982.

Hon. HAROLD E. FORD,
Chairman, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Unemployment is clearly the most important problem currently facing large numbers of American workers and their families. The economic hardships of unemployment are not shared evenly, but fall severely and disproportionately on workers in particular industries and regions, as well as on particular demographic groups in the labor force.

We are grateful for the opportunity to comment on behalf of the administration on H.R. 7327. We share your deep concern over the economic hardship caused by high unemployment which was the primary reason you introduced the bill and are holding hearings today. However, we urge your committee to defer any decision on the bill until the 98th Congress convenes in January. My Department has found that the Federal supplemental compensation program, enacted last August was implemented in some haste. As a result, it provides no information on whether the program benefits are reaching those individuals most in need of assistance. It also provides no recent information on how many individuals have exhausted their FSC program benefits.

Realizing this deficiency, I have had a special study underway since September, which will survey about 200,000 FSC recipients in as many as 17 States. The study to be completed in January in time for the new Congress, will provide critically needed information on the financial resources and family characteristics of benefit recipients. The survey will be supplemented with information on the number of people exhausting their benefits.

This information will enable us to determine not only the extent to which benefits are truly reaching those in financial distress, but will also give us a better picture on how many individuals have actually exhausted their benefits.

In addition, by January we will also have a clearer picture of how the FSC program operates in conjunction with the Extended Benefit program. As you are no doubt aware, 15 States are currently paying extended benefits. We project that by February the number of States paying extended benefits will more than double. Many individuals in these States whose benefits were terminated earlier this year will resume receipt of payments under the extended benefit program. In addition, new exhaustees of benefits under the regular State unemployment insurance program will begin receiving benefits.

The Administration is deeply concerned about the hardship caused by unemployment and is committed to ensuring that programs designed to alleviate this hardship achieve their objective. However, without knowledge of who is receiving benefits and who isn't, and without knowledge of the number of individuals exhausting benefits, any decision on extending benefits at this time could be a mistake.

I, therefore, urge the committee to defer any decision on H.R. 7327 until our study is completed in January. At that time, the Labor Department will be pleased to present its findings and recommendations to your committee. The administration and your committee can then work together to address the economy's number one problem.

Sincerely,

RAYMOND J. DONOVAN.

Statement of the Chamber of Commerce of the United States

ON: EXTENSION OF UNEMPLOYMENT COMPENSATION BENEFITS DURATION (H.R. 7327)

TO: SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION OF THE HOUSE COMMITTEE ON WAYS AND MEANS

BY: ERIC J. OXFELD

DATE: DECEMBER 8, 1982

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The Chamber of Commerce of the United States is the largest federation of business and professional organizations in the world, and is the principal spokesman for the American business community. The U.S. Chamber represents more than 244,000 members, of which more than 240,000 are business firms, more than 2,700 are state and local chambers of commerce, and more than 1,200 are trade and professional associations.

More than 85 percent of the Chamber's members are small business firms having fewer than 100 employees. Yet, virtually all of the nation's largest industrial and business concerns are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross section of the American business community in terms of number of employees, the U.S. Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance -- numbers more than 15,000 members in the U.S. Chamber. Yet no one group constitutes as much as 23 percent of the total Chamber membership. Further, the Chamber has substantial membership in all 50 states.

STATEMENT
on
EXTENSION OF UNEMPLOYMENT COMPENSATION BENEFITS DURATION (H.R. 7327)
submitted to the
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
of the
HOUSE COMMITTEE ON WAYS AND MEANS
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
prepared by
Eric J. Oxfeld*
December 8, 1982

The U.S. Chamber opposes H.R. 7327, a further extension of the duration of unemployment compensation (UC) benefits. H.R. 7327 would require payment of 5 additional weeks of UC benefits to individuals eligible for Federal Supplemental Compensation (FSC) before December 1, 1982, and 13 weeks of FSC to all claimants who qualify beginning December 1. The estimated cost is $650 million.

In our view, such an extension would be unwise. We are dismayed that this proposal shows no sign that any lesson has been learned from studies of temporary extensions during the 1970's that suggest that these programs may prolong joblessness. The nation would be better served by using these funds to upgrade the employment services and job search assistance now available to laid-off workers.

BUSINESS SUPPORTS UNEMPLOYMENT INSURANCE

As a major spokesman for the business community, the U.S. Chamber has had a long standing interest in, concern about, and support for the UC system. Unemployment insurance is designed to serve the needs of involuntarily jobless workers by providing cash benefits during periods of temporary unemployment, with the cost of those benefits being treated as a cost of doing business.

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*Employee Benefits Attorney, Chamber of Commerce of the United States

A fundamental objective of an unemployment insurance program is to operate as a countercyclical balance during periods of economic recession. UC sustains the purchasing power of individuals who are out of work, cushioning the decrease in demand for goods and services and thereby preventing secondary or tertiary levels of unemployment. It also helps employers retain skilled labor during temporary layoffs. For these reasons, UC is beneficial to employers as well as employees.

The UC system is financed primarily by state and federal (FUTA) payroll taxes on employers. The legislation creating the FSC program, however, provides that benefits and administrative costs are to be financed from federal general revenues.

KEEP THE SYSTEM SOLVENT

The UC program has been an overwhelming success and has functioned well in both good and bad times. In recent years, however, the system has been financially troubled, and fraud and abuse have been rampant. Ad hoc increases in amount and duration of benefits have imbalanced the funding in some states and strained the system's ability to enforce work search requirements. The problems have been compounded by federal programs adding extra weeks of benefits. The legislation before this Subcommittee would add still more weeks and would further weaken the UC system.

FEDERAL PROGRAMS

Until 1970, state UC tax receipts were used to finance benefit payments. At that time, the extended benefits (EB) program was established. EB, funded equally from state and federal UC tax revenues, automatically provides 13 extra weeks of benefits whenever state unemployment levels meet certain triggers.

In late 1974 Congress approved the FSB program, which provided an additional 13 weeks of benefits to be paid entirely from FUTA taxes. Later another 13 weeks were added, bringing the total weeks of benefits to 65. Since no FUTA funds were available for the FSB program, repayable advances from the general fund of the Treasury were used to finance FSB from its inception until July 1, 1977. Thereafter and continuing until it expired in March, 1978, general revenues were used to finance FSB benefits. FSB administrative costs were FUTA-funded.

Finally, last September Congress created the Federal Supplemental Compensation (FSC) program, which provides 6, 8, or 10 weeks of benefits to any claimant who exhausts regular benefits or EB. Although FSC is general revenue funded, its cost was offset by making UC taxable to all claimants whose earnings exceed $12,000 (single) or $18,000 (married). The tax on benefits is permanent, but FSC expires March 31, 1982.

The pattern set by FSB and EB--legislating benefits without paying for them--has contributed to the present indebtedness of the Unemployment Trust Fund to the Treasury, a problem of ongoing concern to us. The Treasury has made repayable advances totalling $6.8 billion to provide FSB and EB, of which $5.8 billion is due to FSB obligations incurred before July 1, 1977. A FUTA surcharge on all employers has been assessed to repay these loans. Another $8 billion in federal advances to states is also outstanding, of which over $6 billion has been borrowed from general revenues.

EXTENSION OF DURATION

UC initially was conceived as a social insurance system that would provide income support for unemployed individuals during relatively short periods of unemployment. The U.S. Chamber fully supports this basic concept.

The UC system is ill-equipped to meet the needs of the long-term and the structurally unemployed. Extensions of duration poorly serve the hardcore unemployed and damage the system's ability to serve the claimants for whom it is designed.

We recognize that, in times of economic recession, there is need for extending the duration of unemployment benefits. Under the EB program duration is extended automatically, targeted on states with high unemployment. EB provides 3 extra months of UC to claimants who continue to be out of work after 6 months, and that should be the maximum responsibility of the UC program. While there may be value in establishing a program for longer term unemployment, we question whether it is appropriate simply to provide long-term income support to all UC exhaustees, and without either a means test or requiring participation in intensive job search or training programs.

Economic studies have repeatedly demonstrated that extending the potential duration of benefits can be an inducement to draw benefits longer. Studies of the old FSB program demonstrated that some claimants postponed serious efforts to find employment until their benefits were nearly exhausted. These delays in seeking work strain the regular state programs, which already are in financial distress of historic dimension.

The higher benefit payout of the regular state program adds to the federal budget deficit in the short run and to employers' unemployment tax burden in the long run as state UC payroll taxes are increased. Higher payroll taxes, of course, increase the cost of labor and, ironically, could lead to fewer job opportunities and more unemployment.

UC is an important component of our national employment and training and related human resources services. In addition to providing short term cash assistance, UC provides job market services designed to aid in the pursuit of

reemployment. Unfortunately, the heavy claims load and the longer availability of benefits as a result of benefit extensions strains the system's ability to provide these supplementary services. Hence, most FSB claimants exhausted their benefits without finding jobs.

The U.S. Chamber believes that we must increase the opportunities for individuals able and willing to work, and seeking work, to prepare for and find employment. If an additional extension is provided, it must be designed to serve that end without undermining the UC system. Ideally, it should act as a bridge between UC and employment and training programs. Based on this perception, we suggest that a better program, and one which might draw business support, would factor in the following considerations:

1. Focus on Return to Work, Not Prolonged Income Support

Any long-term program should be limited to claimants who have a strong attachment to the labor force. Eligible individuals should have worked longer than the minimum needed to qualify for UC (federal law requires only 20 weeks of work to receive 49 weeks of combined regular benefits, EB, and FSC). Additional weeks of benefits should not be available to individuals who are out of work because of a labor dispute or who fail to satisfy a means test.

Most importantly, continued cash assistance after regular and extended benefits are exhausted should be provided only to individuals participating in intensive job search or retraining programs. The framework is contained in Title III of the new Job Training Partnership Act, which encourages states to offer placement assistance and training for job losers whose skills must be updated in order to find new jobs. Title III expressly exempts participants from UC work search requirements while in approved training. In the past, few individuals took advantage of even the limited training opportunities, in part because the availability of long-term UC or Trade Adjustment Benefits

discouraged claimants from accepting permanent changes in the job market. Any further extension of benefit duration without mandatory job search or retraining requirements will postpone adjustment and defeat the intent of the new employment and training legislation.

2. 100% Financing From Federal General Revenues

Employers should not bear the burden of financing the program. Federal general revenues are a more appropriate source of funds for cash benefits and administrative costs. A philosophical underpinning of the UC program is that short-term unemployment may be part of the cost of production and should be reflected in the price of the product, but long-term unemployment and special job search assistance are not predictable product costs. It is unfair to require employers to pay for long-term unemployment, which is caused by economic circumstances beyond their control. Society as a whole should bear those costs.

Moreover, any new program must not divert resources from the present UC program. The policy must be clear that any long-term assistance is to be financed in full--benefits and administrative costs--from general revenues. Even with a clear policy, there is no guarantee that later Congesses will not change that policy. That is precisely what the House of Representatives has done in H.R. 7205, the DOL appropriations bill, which appropriates $42.5 million in FUTA revenues for FSC administration, despite the clear mandate in the enacting legislation to fund these costs from general revenues.

3. Limited Duration

The duration of the program should be no more than 13 weeks. The longer benefits are payable, the more the program resembles welfare, and public support for the UC system weakens.

Moreover, any new, long-term benefit program should be set up on an experimental basis, with a definite termination date, as the FSB program had. In addition to the experience gained from the experiment, changes in the economy and composition of the labor force and other factors may affect the need for--and bounds of--future long-term income support programs. Continued payment of extra weeks of benefits would be a strong work disincentive as the nation enters a period when demographic projections forecast a skilled labor shortage.

4. Operate Only During Emergency

An extension of income support beyond the regular benefits and EB cannot be justified unless targeted on states whose unemployment rates are at truly "emergency levels"--and any level below 7 percent insured unemployment rate (IUR) probably is insufficient. Many claimants do have supplemental sources of income, e.g., a second wage earner in the family or an unreported job in the "underground economy."

We oppose the use of a national trigger because, even in today's economy, state unemployment rates vary considerably. As of November 13, 1982, state IURs ranged from 1.89 percent in South Dakota to 9.3 percent in Puerto Rico.

CONCLUSION

Business strongly supports the UC system, which has worked well to provide a public system of insurance against short-term, involuntary unemployment. Further extensions are unnecessary because the existing program automatically pays an additional 3 months of benefits when unemployment levels are high, and last September Congress mandated a further extension to nearly 1 year.

A program paying benefits for even longer-term unemployment has been tried and it created many problems, including a nearly $6 billion debt yet to be repaid.

Additional weeks of benefits will add to the federal budget deficit, ironically weakening the economy and thereby leading to more unemployment. Moreover, the extra benefits strain the financial resources of state UC programs and interfere with services to claimants receiving regular or extended benefits.

Any new program of long term cash assistance should be coupled with mandatory job placement and retraining programs, which are better equipped than UC to serve the needs of the structurally unemployed. Claimants who exhaust their benefit eligibility ought to be referred immediately to these programs, and the programs ought to be prepared to focus on these claimants. H.R. 7327 does not address that problem.

CALIFORNIA LEGISLATURE,
Sacramento, Calif., December 8, 1982.

Hon. HAROLD E. FORD,
Chairman, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I would like to express my strong support for your legislation, H.R. 7327, which would extend the Federal supplemental compensation (FSC) program for those workers who have exhausted all of their unemployment compensation benefits.

California is currently experiencing record unemployment with 11.2 percent or 1,372,000 of our citizens unemployed in the month of November. Since the FSC program began in California on September 26th of this year, the number of recipients has increased from a few hundred to 75,964 in November. With no end in sight to our economic recession, I believe that it is essential for the welfare of our citizens that some further relief be provided until recovery is underway.

I commend you for your constant concern for the plight of our nation's unemployed and your leadership in ensuring that their needs do not go unnoticed. I urge the Subcommittee to act expeditiously on this much needed legislation so that the FSC benefits can be extended prior to the adjournment of the 97th Congress.

Sincerely,

DAVID ROBERTI,
President Pro Tempore of the Senate.

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